

432nd meeting of the Accounts Commission for Scotland

**Thursday 8 December 2016, 10.15am
in the offices of Audit Scotland, 102 West Port, Edinburgh**

Agenda

1. **Apologies for absence.**
 2. **Declarations of interest.**
 3. **Decisions on taking business in private:** The Commission will consider whether to take items 13 and 14 in private (* see note).
 4. **Minutes of meeting of 10 November 2016.**
 5. **Minutes of meeting of Financial Audit and Assurance Committee of 24 November 2016**
 6. **Minutes of meeting of Performance Audit Committee of 24 November 2016.**
 7. **Audit Scotland Board update:** The Commission will consider a verbal report by the Chair and Secretary to the Commission.
 8. **Update report by the Secretary to the Accounts Commission:** The Commission will consider a report by the Secretary to the Commission on significant recent activity in relation to local government.
 9. **Update report by the Controller of Audit:** The Commission will consider a verbal report by the Controller of Audit providing an update on his recent activity.
 10. **Work programme refresh:** The Commission will consider a report by the Director of Performance Audit and Best Value.
 11. **Housing benefit fraud arrangements:** The Commission will consider a report by the Assistant Auditor General.
 12. **Audit of Best Value (follow-up): East Dunbartonshire Council:** The Commission will consider a report by the Controller of Audit.
- The following items are *proposed to be considered in private*:***
13. **Audit of Best Value: East Dunbartonshire Council:** The Commission will consider the action that it wishes to take.
 14. **Commission business matters:** The Commission will discuss matters of interest.

* It is proposed that items 13 to 14 be considered in private because:

- Item 13 requires the Commission to consider actions in relation to a report by the Controller of Audit. The Commission is then obliged by statute to inform the council in question of its decision, which the Commission does before making the decision public.
- Item 14 may be required if there are any confidential matters that require to be discussed outwith the public domain. The Chair will inform the meeting in public at the start of the meeting if this item is required and what it covers.

The following papers are enclosed for this meeting:

Agenda Item	Paper number
Agenda Item 4: Minutes of meeting of the Commission of 10 November 2016	AC.2016.10.1
Agenda Item 5: Minutes of Financial Audit and Assurance Committee 24 November 2016	AC.2016.10.2
Agenda Item 6: Minutes of Performance Audit Committee 24 November 2016	AC.2016.10.3
Agenda Item 8: Report by Secretary to the Commission	AC.2016.10.4
Agenda Item 10: Report by Director of Performance Audit and Best Value	AC.2016.10.5
Agenda Item 11: Report by the Assistant Auditor General	AC.2016.10.6
Agenda Item 12: Report by the Controller of Audit	AC.2016.10.7

MEETING: 8 DECEMBER 2016

MINUTES OF PREVIOUS MEETING

Minutes of the 431st meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday, 10 November 2016, at 10.15am

PRESENT: Douglas Sinclair (Chair)
Alan Campbell
Sandy Cumming
Sophie Flemig
Sheila Gunn
Ronnie Hinds
Tim McKay
Stephen Moore
Graham Sharp
Pauline Weetman
Geraldine Wooley

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value (PABV)
Laura Calder, Audit Manager, PABV [Items 15 & 16]
Morag Campsie, Audit Manager, PABV [Item 11]
Angela Canning, Assistant Director, PABV [Item 17]
Antony Clark, Assistant Director, PABV [Items 12 & 14]
Lisa Duthie, Senior Auditor, Audit Services [Items 15 & 16]
Mark McCabe, Senior Manager, PABV [Item 17]
Martin McLauchlan, Senior Auditor, PABV [Item 17]
Tricia Meldrum, Senior Manager, PABV [Items 15 & 16]
Fiona Mitchell-Knight, Assistant Director, Audit Services [Items 13, 15 & 16]
Kathrine Sibbald, Audit Manager, PABV [Item 13]
Rebecca Seidel, Audit Manager, PABV [Item 11]

<u>Item No</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Decisions on taking business in private
4.	Minutes of meeting of 8 September 2016
5.	Minutes of meeting of Financial Audit and Assurance Committee 22 September August 2016
6.	Minutes of meeting of Performance Audit Committee of 22 September 2016
7.	Minutes of meeting of Audit Scotland Board of 18 August and 15 September 2016
8.	Audit Scotland Board Update
9.	Update report by the Secretary to the Accounts Commission
10.	Update report by the Controller of Audit
11.	New Financial Powers update
12.	Health and Social Care Update
13.	The New Approach to auditing Best Value: update
14.	Briefing: approach to shared risk assessment
15.	Audit of Best Value: Falkirk Council
16.	Audit of Best Value: Falkirk Council
17.	Local Government Financial Overview: Draft Report
18.	Mid Year Strategy Seminar; Outputs
19.	Commission business matters

1. Apologies for absence

It was noted that apologies for absence had been received from Christine May.

2. Declarations of interest

The following declarations of interest were made:

- Ronnie Hinds, in item 11, as a non-executive director of the Scottish Government.

3. Decisions on taking business in private

It was agreed that items 16 to 18 should be taken in private for the following reasons:

- Item 16 requires the Commission to consider actions in relation to a report by the Controller of Audit. The Commission is then obliged by statute to inform the council in question of its decision, which the Commission does before making the decision public.
- Item 17 proposes a draft audit report which the Commission is to consider in private before publishing.
- Item 18 presents outputs from the Commission's private Mid-Year Strategy Seminar which may include confidential policy matters that the Commission would wish to discuss in private before proceeding.

The Chair advised that there was no business for item 19 and thus this would not require discussion in private.

4. Minutes of meeting of 8 September 2016

The minutes of the meeting of 8 September 2016 were approved as a correct record.

Arising therefrom, the Commission:

- Noted, in relation to paragraph 7, advice from Geraldine Wooley that the information requested from the Controller of Audit on social housing costs should particularly focus on capital costs.

Action: Controller of Audit

- Noted, in relation to paragraph 7, in response to a query from Ronnie Hinds, advice from the Controller of Audit that he retains a watching brief on the situation with the schools estate in City of Edinburgh schools.
- Noted, in relation to paragraph 14, advice from the Secretary that the report How councils work: Roles and working relationships was published on 9 November.

5. Minutes of meeting of Financial Audit and Assurance Committee 22 September 2016

The minutes of the meeting of the Financial Audit and Assurance Committee of 22 September 2016 were approved as a correct record, subject to the inclusion of Sheila Gunn as being present at the meeting.

With reference to item 7, the Commission noted advice from the Secretary that (i) Audit Scotland officials would be attending a meeting of the National Pensions Scheme Advisory Board on 22 November to discuss the approach to the

Commission's financial overview report, which includes information on the Local Government Pension Scheme; and (ii) following this meeting the Commission would share its work on the matter with local government.

6. Minutes of meeting of Performance Audit Committee of 22 September 2016

The minutes of the meeting of 22 September 2016 were approved as a correct record.

7. Minutes of meeting of Audit Scotland Board 18 August and 15 September 2016

The minutes of the meeting of the Audit Scotland Board of 18 August and 15 September 2016 were submitted and noted.

8. Audit Scotland Board Update

The Chair provided a verbal update on recent Audit Scotland Board activity.

During discussion, the Commission noted that Audit Scotland was be presenting its budget to the Scottish Commission for Public Audit on 21 December.

9. Update report by the Secretary to the Accounts Commission

The Commission considered a report by the Secretary to the Commission providing an update on significant recent activity relating to local government and issues of relevance or interest across the wider public sector.

Following discussion, the Commission agreed:

- In relation to paragraph 20, to note advice from the Secretary that the Scottish Government has advised that it wishes to discuss with stakeholders, including the Commission, issues around the future use and development of survey activities such as the Scottish Household Survey, and to this end, Audit Scotland officials would be participating in a working group.
- In relation to paragraph 29, following a query from Douglas Sinclair, that the Commission include in its committee day speaking programme a representative of the Scottish Parliament Information Centre.
- In relation to paragraph 32, to note advice from the Secretary that the Commission has accepted an invitation from the Local Government and Communities Committee to present its financial overview report to a meeting of the Committee, likely to take place in December, as part of the Committee's scrutiny of the Scottish Budget.
- In relation to paragraph 43, following a query from Sandy Cumming, that the Commission include in its committee day speaking programme a representative of the Local Government Digital Office.
- In relation to paragraph 46, following a query from Alan Campbell, that the Controller of Audit provide more information on the shared procurement initiative by Aberdeen City, Aberdeenshire and Highland councils.
- In relation to paragraph 59, to note advice from the Secretary that the Chair has deferred an invitation to the Fraser of Allander Institute to present to the Commission its annual report and analysis of the Scottish budget, until a point later in the budget process.
- To note advice from the Controller of Audit, in response to a query from Sandy Cumming, that he is monitoring progress of the Scottish Government's

Enterprise and Skills Review, particularly in relation to the implications for enterprise agencies and local government.

Action: Secretary

Following discussion, the Commission agreed to note the report.

10. Update report by the Controller of Audit

The Controller of Audit provided a verbal update on his recent activity including meetings and discussions with stakeholders.

The Commission noted the update.

11. New financial powers update

The Commission considered a report by the Assistant Director of Audit Services providing an update on key developments surrounding further financial devolution.

During discussion, the Commission noted advice from the Controller of Audit, in response to a query from Ronnie Hinds, that part of Audit Scotland's monitoring of the matter would be the issue of skills and capacity in local government, depending on their responsibility for delivering any of the new powers.

Thereafter, the Commission noted the report.

12. Health and Social Care Update

The Commission considered a report by the Director of Performance Audit and Best Value summarising the current arrangements for the audit and inspection of health and social care integration.

During discussion, the Commission agreed:

- To note the continuing challenges facing the successful integration of health and social care
- To note the planned introduction of new Joint Strategic Inspections of health and social care by Healthcare Improvement Scotland and the Care Inspectorate, and
- To note the planned timetable for the Commission's local audit work within Integration Authorities (IAs) and the national joint audit work with the Auditor General for Scotland during 2017/18
- To note that alongside the planned audit work, progress with health and social care integration will continue to be monitored routinely through the work of the health, care and communities cluster.
- That a paper be produced for the Best Value Working Group on the annual audit of IAs and issues around auditing the Best Value duties of those bodies.
- That the Group report back to the Commission on this matter.
- That the Commission retain a close monitor of the progress of IAs.

Action: Director of PABV

13. The new approach to auditing Best Value: update

The Commission considered a report by the Director of Performance Audit and Best Value updating them on the work to develop and implement the new approach to auditing Best Value, since the Commission's meeting in June. It invited the Commission to note the progress made and also note that the implementation of the approach which has now begun.

During discussion, the Commission:

- Noted the progress made on the new approach to auditing Best Value since the Commission meeting in June.
- Noted that implementation of the new approach has now begun, with Best Value Assurance Reports being presented to the Commission following the local government elections in 2017.
- Noted advice from the Secretary that the Local Government Minister and the President of COSLA had written to councils advising of the review of Best Value statutory guidance, a copy of which was available on the members' extranet site.
- Agreed that a review of the first year of the new integrated approach to auditing be led by the Best Value Working Group and reported to the Commission.

Action: Secretary and Director of PABV

14. Briefing: approach to shared risk assessment

The Commission considered a report by the Director of Performance Audit and Best Value informing them of the proposed approach to, and timetable for, the 2017/18 Shared Risk Assessment (SRA) process.

After discussion, the Commission noted the report.

15. Audit of Best Value: Falkirk Council

The Commission considered a report by the Secretary to the Commission seeking its consideration of the Controller of Audit's report of the Best Value audit of Falkirk Council and seeking direction on how to proceed.

Following questions to the Controller of Audit, the Commission agreed to consider in private how to proceed.

16. Audit of Best Value: Falkirk Council [*in private*]

The Commission discussed how to proceed in relation to the statutory report by the Controller of Audit on the audit of Best Value in Falkirk Council.

Following discussion, the Commission agreed:

- To make findings, to be published on 1 December 2016.
- As part of those findings, to note that it will continue to have a close interest in how the Council is progressing and will require the Controller of Audit to update it by the end of 2017 through the annual audit and in the revised approach to auditing Best Value.

Actions: Controller of Audit and Secretary

17. Local Government Financial Overview: Draft Report [in private]

The Commission considered a report by the Director of PABV seeking approval of the draft report of the local government financial overview, and of proposed arrangements for publication and promotion of the report.

Following discussion, the Commission agreed:

- To approve the draft report, subject to the audit team considering points raised in discussion in conjunction with the sponsors of the report, Douglas Sinclair and Ronnie Hinds.
- To approve the publication and promotion arrangements for the report.

Actions: Director of PABV

18. Mid-Year Strategy Seminar: Outputs [in private]

The Commission considered a report by the Secretary on the Mid-Year Strategy Seminar and summarising the outputs from the event.

During discussion, the Commission:

- Approved a series of actions in relation to managing Commission business and developing the Commission as a team.
- Approved a set of 'strategic audit priorities' to be taken forward in immediately forthcoming audit work, namely:
 - Clear priorities and better long-term planning
 - Evaluate options for significant changes in delivering services
 - Ensure their people – members and officers – have right knowledge, skills and time
 - Involve citizens more in decisions about services
 - Encourage councils to report performance to help citizens gauge improvement.
- Endorsed the outputs from the event.

Actions: Director of PABV and Secretary

19. Commission business matters

The Chair advised that there was no business for this item.

Thereafter, the meeting was closed.

MEETING: 8 DECEMBER 2016

**MINUTES OF MEETING OF FINANCIAL AUDIT AND ASSURANCE COMMITTEE OF
24 NOVEMBER 2016**

Minutes of meeting of the Financial Audit and Assurance Committee of the Accounts Commission held in the offices of Audit Scotland, 102 West Port, Edinburgh on Thursday, 24 November 2016, at 10am.

PRESENT: Graham Sharp (Chair)
Tim McKay
Douglas Sinclair
Pauline Weetman
Geraldine Wooley
Sheila Gunn

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Fiona Kordiak, Director of Audit Services
Dave McConnell, Assistant Director, Audit Services [Items 4 and 5]
Anne MacDonald, Senior Audit Manager, Audit Services [Items 4 and 5]
Paul O'Brien, Senior Manager, Audit Strategy [Item 7]

1. Apologies for absence
2. Declarations of interest
3. Draft minutes of meeting of 22 September 2016
4. Current Issues from the local authority audits
5. Audit Planning: Priorities and processes
6. Auditor skills in a changing business world – a potential skills gap?
7. Update on Highways Network Asset
8. Any other business

1. Apologies

It was noted that apologies for absence had been received from Ronnie Hinds.

2. Declarations of interest

The following declarations of interest were made:

- Sheila Gunn, in item 4, as a non-executive Director of the Wheatley Group, in relation to its relationship with Glasgow City Council and Glasgow Housing Association. She played no part in the consideration of the said item.
- Douglas Sinclair, in item 4, as a former Chief Executive of Fife Council. He played no part in the consideration of the said item

3. Minutes of meeting of 22 September 2016

The minutes of the meeting of 22 September 2016 were noted and approved as a correct record, subject to the inclusion of Sheila Gunn as being present at the meeting.

Arising therefrom:

- Advice from the Director of Audit Services was noted:
 - In relation to item 4 (first bullet point), that the impact report for the previous performance audit on Borrowing and Treasury Management was to be considered today by the Performance Audit Committee, and the matters covered by the report would be addressed by the Commission as part of it considering at its meeting on 8 December 2016 a refresh of its rolling work programme.
 - In relation to item 4 (third bullet point), that further information on the capital finance methods used by Aberdeen City Council was covered in the 'current issues' report at this meeting.
 - In relation to item 4 (fourth bullet point), that the local auditor had investigated the business cases behind the exit packages given to three former council officers of Fife Council, as referred to in the draft accounts, and was satisfied that the process followed was appropriate.
 - In relation to item 4 (fifth bullet point), that further information on the suspension of the Executive Director of Land and Environmental Services in Glasgow City Council was covered in the 'current issues' report at this meeting.
 - In relation to item 4 (sixth bullet point), that further information on the new IT contract awarded by Scottish Borders Council to CGI was covered in the 'current issues' report at this meeting.
- Advice from the Secretary was noted:
 - In relation to item 6, that the 2015/16 local government financial overview report would be published on 29 November, and that he was discussing with the clerk of the Local Government and Communities Committee a briefing from the Commission to the Committee on the report.

- In relation to item 7, that (i) a meeting of the National Pensions Scheme Advisory Board scheduled for 22 November, to which Audit Scotland officials had been invited to discuss the approach to the Commission's financial overview report, which includes information on the Local Government Pension Scheme, had been cancelled; and (ii) consequently, he would discuss with Audit Scotland how to share messages from the unaudited pension fund accounts with councils, pension fund trustees and the national advisory board.

4. Current issues from the local authority audits

The Committee considered a report by the Controller of Audit advising of emerging issues and recurring themes, as well as individual issues of interest, arising from audit work in Scottish councils.

During discussion, the Committee agreed:

- In relation to paragraph 5 of the covering report (Fife Council: Dunfermline Flood Prevention Scheme):
 - to note the update from the Controller of Audit, including reporting of the matter through the annual audit.
 - to note that the Controller of Audit would continue to monitor the matter with a view to reporting further to the Commission as appropriate.
- In relation to paragraph 2 of the detailed report (Aberdeen City Council: capital bond), to note advice from the Director of Audit Services that the matter would be monitored as part of the annual financial audit, upon which the Controller of Audit would report further as appropriate.
- In relation to paragraph 27 of the detailed report (Dundee City Council: fraud case), to note advice from the Director of Audit Services that the Controller of Audit continues to monitor the matter.
- In relation to paragraph 33 of the detailed report (Glasgow City Council: restructuring of City Building (Glasgow) LLP), to note advice from the Director of Audit Services that the Controller of Audit continues to monitor the matter with a view to reporting further to the Commission.
- In relation to paragraph 36 of the detailed report (Integration authorities), that more information on the progress of the authorities be provided to the Commission.
- That further information be provided in relation to the following matters:
 - East Ayrshire Council: capital programme (paragraph 5 of the detailed report)
 - East Ayrshire Council: opencast coal mining legacy issues (paragraph 9 of the detailed report)
 - Inverclyde / East Dunbartonshire / West Dunbartonshire councils: frontline shared service (paragraph 10 of the detailed report)
 - Highland Council: catering, cleaning and facilities management / janitorial services (paragraph 12 of the detailed report)

- Orkney Council: 'budget simulator' (In relation to paragraph 22 of the detailed report)

Actions: Controller of Audit

Thereafter, the Committee noted the report and commended the Controller of Audit on the quality of the report.

5. Audit planning: priorities and processes

The Committee considered a presentation by David McConnell and Anne MacDonald from Audit Services on planning for the audit in the forthcoming year.

Following the presentation and discussion, the Committee:

- Agreed that the Secretary and Director of Performance Audit and Best Value consider, as part of the revised approach to auditing Best Value:
 - how self-evaluation features in Best Value auditing guidance.
 - how to encourage fruitful dialogue between audit teams and elected members

Action: Secretary and Director of PABV

- Noted the issues raised in the presentation.
- Noted advice from the Chair that he was considering how to feature more prominently in the Commission's business the practical experience of auditors and, to this end, he would welcome views from Committee members on:
 - How this could be done
 - What matters they would like to discuss with auditors.

Thereafter, the Chair thanked David McConnell and Anne MacDonald for their presentation.

6. Auditor skills in a changing business world – A potential skills gap?

The Committee considered a paper by the Director of Audit Services on the main findings from a report published by the Institute of Chartered Accountants in Scotland (ICAS) and the Financial Reporting Council (FRC) on auditor skills. The paper also set out the action being taken by Audit Scotland to respond to the issues raised in the report.

Following discussion, the Committee agreed to note the paper.

7. Update on highways network asset

The Committee considered a paper by the Assistant Auditor General advising of a recent decision to postpone the implementation of moving to a current value basis for the highways network asset until 2017/18 at the earliest.

Following discussion, the Committee agreed to note the paper.

8. Any other business

There being no further business, the meeting was closed.

MEETING: 8 DECEMBER 2016

MINUTES OF MEETING OF PERFORMANCE AUDIT COMMITTEE OF 24 NOVEMBER 2016

Minutes of meeting of the Performance Audit Committee of the Accounts Commission held in the offices of held in the offices of Audit Scotland, Audit Scotland, 102 West Port, Edinburgh on Thursday, 24 November 2016, at 2pm.

PRESENT: Ronnie Hinds (Chair)
Douglas Sinclair
Sandy Cumming
Christine May
Stephen Moore
Sophie Flemig

OTHER COMMISSION MEMBERS PRESENT: Pauline Weetman

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Angela Canning Assistant Director, Performance Audit and Best Value (PABV)
Antony Clark, Assistant Director, PABV [Item 4]
Gemma Diamond, Senior Manager, PABV [Items 6 and 7]
Graeme Greenhill, Senior Manager, PABV [Items 6 and 7]
Mark McCabe, Senior Manager, PABV [Items 5]
Gordon Smail, Senior Manager, PABV [Item 7]
Natalie Sorbie, Senior Auditor, PABV [Item 5]
Sally Thompson, Audit Manager, PABV [Item5]

<u>Item no.</u>	<u>Subject</u>
1.	Apologies for absence
2.	Declarations of interest
3.	Minutes of meeting of 22 September 2016
4.	Work Programme Update
5.	Local government overview – emerging messages
6.	Performance audit: impact report – Borrowing and treasury management
7.	Policy briefing: Public investment, environment and infrastructure
8.	Any other business

1. Apologies for absence

It was noted that apologies for absence had been received from Alan Campbell.

2. Declarations of interest

The following declaration of interest was made:

- Ronnie Hinds, in item 7, as a former chief executive of Fife Council, in relation to reference to Dunfermline Flood Prevention Scheme.
- Christine May, in items 4, 5 and 7, as Vice-Chair of Fife Cultural Trust, in relation to references to arm's length external organisations, and in item 7, as a former leader of Fife Council, in relation to reference to Dunfermline Flood Prevention Scheme.
- Stephen Moore, in item 7, as a chief officer of Fife Council, in relation to reference to Dunfermline Flood Prevention Scheme.
- Douglas Sinclair, in item 7, as a former chief executive of Fife Council, in relation to reference to Dunfermline Flood Prevention Scheme.

3. Minutes of meeting of 22 September 2016

The minutes of the meeting of 22 September 2016 were noted and approved as a correct record.

4. Work Programme Update

The Committee considered a report by the Director of PABV providing an update of progress of the work programme published on behalf of the Accounts Commission and Auditor General.

Following discussion, the Committee agreed:

- To note advice from the Assistant Director of PABV that he was discussing with the Secretary how to revise the format of future reports to the committee.
- Further in this regard, that thought be given to:
 - Better profiling of the Commission's strategic audit priorities
 - Separating audit outputs from implications and outcomes.
- To recommend to the Commission that the following be considered as part of the refresh of the work programme:
 - Local government support for public transport.
 - Community justice, particularly around local issues (although noting in this regard the ongoing inquiry by the Parliament's Justice Committee into the role and purpose of the Crown Office and Procurator Fiscal Service.
 - The involvement of other scrutiny partners such as Education Scotland in work around educational attainment.
- That more information on the progress of health and social care integrated authorities be provided to the Commission.

Actions: Director of PABV

Thereafter, the Commission noted the report.

5. Local government overview – emerging messages

The Committee considered a report by the Director of PABV inviting the Committee to consider the emerging messages for *Local government in Scotland 2017: Performance and challenges*.

Following discussion, the Committee:

- Agreed the emerging messages that will form the basis of the report *Local government in Scotland 2017: Performance and challenges*.
- Agreed that a draft report be brought to the Commission meeting on 9 February 2017, prior to publication in March 2017.

Actions: Director of PABV

6. Performance audit: impact report – Borrowing and treasury management

The Committee considered a report by the Director of PABV on the impact of the previous performance audit *Borrowing and Treasury Management*.

Following discussion, the Committee agreed:

- To endorse the report and to recommend to the Commission that it be published.
- To recommend to the Commission that as part of the refresh of the work programme, the following package be considered:
 - A performance audit report on the value for money of financing infrastructure investment through private finance, with a particular focus on the non-profit distributing model.
 - An alternative output on financing commitment, incorporating more analysis and narrative than the financial overview.
 - Further reporting of the issues raised in the report in the local government overview report.

Actions: Secretary and Director of PABV

- That the Secretary discuss with the Controller of Audit how issues raised in the report be covered in the annual audit.

Action: Secretary and Controller of Audit

- That the Secretary discuss with the Committee Chair and Commission Chair how to promote the report.
- As part of the promotion of the report, to discuss the issues raised with CIPFA Directors of Finance Section.
- That it be recommended to the Commission that it include in its committee day speaking programme a representative of CIPFA.

Actions: Secretary

7. Policy briefing: Public investment, environment and infrastructure

The Committee considered a briefing from the Director of PABV on the Public Investment, Environment and Infrastructure cluster. The presentation was delivered by Gemma Diamond, Graeme Greenhill and Gordon Smail.

Following discussion, the Committee:

- Noted that the contents of the briefing would be used to inform the proposed refresh of the work programme to be considered by the Commission in December.
- Agreed that issues arising from the Scottish Parliament Information Centre briefing *The social impact of the 2016-17 local government budget* be considered as part of the local government overview report.
- That the Director provide an update on Audit Scotland's data analytics activities.

Actions: Director of PABV

Thereafter, the Committee noted the briefing and the Director thanked Gemma Diamond, Graeme Greenhill and Gordon Smail for their presentation.

8. Any other business

There being no further business, the meeting was closed.

MEETING: 8 DECEMBER 2016

REPORT BY: SECRETARY TO THE COMMISSION

UPDATE REPORT

Purpose

1. The purpose of this report is to provide a regular update to the Commission on significant recent activity relating to local government, as well as issues of relevance or interest across the wider public sector.
2. The regular Controller of Audit report to the Commission which updates the Commission on his activity complements this report. The Commission's Financial Audit and Assurance Committee also receives a more detailed update on issues relating to local government. This report also complements the weekly briefing provided by Audit Scotland's Communication Team made available on the Accounts Commission member portal, which provides more detailed news coverage of various relevant matters.
3. Hyperlinks are provided in the electronic version of this report for ease of reference, which is available on the member portal and on the Commission website.

Commission business

Publications

4. On 29 November, the Accounts Commission published [Local government in Scotland Financial Overview 2015/16](#). The report finds that the overall financial health of local government was generally good in 2015/16 and there was a slight increase in overall reserves and a reduction in overall debt. However, councils are under increasing pressure and all councils face future gaps that require further savings or greater use of their reserves. The report stresses the need for councils to develop long term financial plans. The report received extensive media coverage and had significant impact online with analyses in the [Guardian online](#) and [BBC online](#), [Public Finance](#), and [Holyrood](#). It has been downloaded 213 times. The report will be presented by the Deputy Chair of the Commission to the Scottish Parliament's Local Government and Communities Committee on 14 December as part of its scrutiny of the Scottish budget.
5. On 8 November, the Commission published an update to its report on roles and working relationships in councils, [How Councils Work: are you still getting it right?](#) The follow up report focuses on supporting councils in their drive for improvement and updates councillors and officers in the light of major changes in local government, including governance issues, since the Commission's last report in 2010. The report was timed to support councils in reviewing their arrangements in the run up to the May 2017 Local Government elections. A letter was sent out to all Chief Executives and council leaders to accompany the report and emphasise the importance of training for elected members given the changing environment of local government. The report has been downloaded 834 times.
6. The download statistics (with the increase from last month in brackets) for the reports published by the Commission over the last 12 months are shown below:

Report	Date	Report downloads	Report podcasts
Local government in Scotland: Financial Overview 2015/16.	29 Nov 2016	213	-
How Councils Work – Roles and working relationships in councils: are you still getting it right?	8 Nov 2016	834	-
School education impact report	18 Oct 2016	36	-
Angus Council: Audit of Best Value	4 Oct 2016	372 (+128)	0
Social Work in Scotland	22 Sept 2016	2431 (+556)	271
Maintaining Scotland's roads: a follow-up report	4 Aug 2016	1529 (+116)	208
South Ayrshire Council: Audit of Best Value and Community Planning	29 Jun 2016	678 (+66)	0
Accounts Commission annual report 2015/16	26 May 2016	708 (+59)	-
Accounts Commission Engagement strategy and engagement plan 2016/17	26 May 2016	359 (+28)	-
Accounts Commission Strategy and annual action plan 2016-21	26 May 2016	382 (+39)	-
Accounts Commission engagement plan 2015/16: Progress report	26 May 2016	113 (+22)	-
Accounts Commission Action plan 2015/16: Progress report	26 May 2016	138 (0)	-
Code of audit practice 2016	26 May 2016	892 (+179)	-
Reshaping Care for Older People – Impact Report	10 May 2016	719 (+82)	-
National Scrutiny Plan	31 Mar 2016	642 (+47)	-
Local Government Overview 2016	17 Mar 2016	3620 (+460)	253 (0)
Changing Models of Health and Social Care	10 Mar 2016	7436 (+1,116)	872 (0)
Community Planning update	3 Mar 2016	2946 (+180)	88 (0)
City of Edinburgh Council Best Value	25 Feb 2016	1078 (+70)	165(0)
Procurement in Councils – impact report	8 Feb 2016	1176 (+54)	0
Major Capital Investment in Councils - Follow Up	14 Jan 2016	2162 (+180)	167 (0)
Argyll and Bute Best Value Audit	17 Dec 2015	1185 (+54)	453(0)

Other business

7. The Minister for Local Government and Housing, Kevin Stewart MSP, met with Commission members following their meeting on 10 November for a discussion about local government and the Commission's work programme. The Chair has written to the Minister to thank him for the meeting.
8. On 23 November, the Commission began the first of its series of engagement sessions with Scotland's councils. The event took place in Glasgow City Chambers and was attended by leaders and chief executives from 14 councils who were briefed on the new approach to auditing Best Value and discussed strategy and expectations going forward. A useful discussion took place between council and Commission representatives. Two

further events will be held on 2 December in Inverness and 5 December at COSLA in Edinburgh. The Commission will consider the outputs from these events in due course.

Auditor General for Scotland

9. On 7 November, the Auditor General gave a talk to Senior Fellows at the Royal College of Physicians in Edinburgh. Her presentation focussed on recent audit work in health and social care and she highlighted key messages in her recent report NHS in Scotland 2016.

Audit Scotland

10. On 16 November, Audit Scotland published updated [audit planning guidance](#) for the year ahead. This guidance is intended to help auditors fulfil the expectations of the Code of Audit Practice and the Commission's priorities in carrying out 2016/17 audits.

Issues affecting local government

Scottish Government

11. Finance Secretary Derek Mackay [criticised](#) the Autumn Statement (paragraph 44) for failing to end 'damaging austerity' and for not going 'far enough to get the economy on track' and for failing to provide additional funding for public services. He said:

"I will publish the Scottish Draft Budget next month that will support our economy, tackle inequality and provide high quality public services for all – underlining the very different approaches our two governments take."

12. The Scottish Draft Budget 2017-18 will be published on 15 December.
13. On 24 November, the Scottish Government [announced](#) a new strategy for community justice which aims to 'strengthen the way public services, charities and communities work together to reduce and prevent offending.' The new model emphasises early intervention and will support people to reintegrate into the community after custody. It will involve strong partnership working between local authorities, health boards, justice agencies the third sector, victims groups and people with convictions. Scotland's new model for community justice will come into effect on 1 April 2017.
14. On 21 November, the Supreme Court [granted](#) the Scottish Government's request to intervene in the case of triggering Article 50. Counsel for the Scottish Government has been invited to address the relevance of points of Scots Law. The Welsh Government, the Independent Workers Union of Great Britain and a group called Expat Interveners have also been granted permission to intervene.
15. On 17 November, the Boundary Commission for Scotland has announced the dates of [five public hearings](#) to gather feedback on the initial proposals under the 2018 Review of UK Parliament constituencies. The meetings form part of a wider consultation process running until 11 January.
16. On 25 October, the Scottish Government [announced plans](#) to reform Scotland's enterprise and skills agencies. It has proposed setting up a new "Scotland-wide statutory board to co-ordinate the activities of Scottish Enterprise and Highlands and Islands Enterprise (HIE)." Economy Secretary Keith Brown MSP said:

"This will ensure a system in which all of our agencies work both hand in glove with each other and collaboratively with our business, academic and civic partners to optimise economic impact across the whole of Scotland."

17. On 21 November, the Scottish Government [called](#) on the UK Government to commit to a Tay Cities and Stirling and Clackmannanshire City Region Deal in the Autumn Statement. Economy Secretary Keith Brown MSP said:

“City Region Deals for Stirling and Clackmannanshire and the Tay Cities represent an opportunity to unlock investment in their regions, boost economic growth and invest in infrastructure... We have already committed to £760 million over the next 10 to 20 years for City Deals in Glasgow, Aberdeen and Inverness with communities in these areas benefitting from housing, digital and infrastructure projects. This investment will also benefit Scotland as a whole, as it’s creating thousands of jobs and upskilling local labour markets.”

18. An announcement to this end was included in the Chancellor’s Autumn Statement (see paragraph 44).

Scottish Parliament

General

19. On 30 November, the Scottish Parliament officially took on significant new tax powers with the formal transfer of control from Westminster. Orders were passed in the House of Commons giving Holyrood control over income tax powers worth £12bn. Control over income tax rates and thresholds is being devolved under measures agreed in the Scotland Act. Both the UK and Scottish governments welcomed the "landmark" powers, which take effect from 2017/18. Scottish Finance Secretary Derek Mackay will set out proposals on how to use the powers in his draft budget on 15 December.

Parliamentary Committees

Local Government and Communities Committee

20. At its meeting on 9 November, the Committee took evidence from the University of Strathclyde, Queen Margaret University, COSLA, SOLACE Scotland, Glasgow City Council, Scottish Local Government Partnership, Argyll and Bute Council and Renfrewshire Council on the [Scottish Government’s draft budget 2017/18](#).
21. At its meeting on [16 November](#), the Committee took evidence from Development Trusts Association Scotland, Highland Third Sector Interface, and Scottish Council for Voluntary Organisations and Glenboig Neighbourhood House on parts 2, 3 and 5 of the Community Empowerment (Scotland) Act 2015. Members considered the evidence and agreed to write to the Scottish Government. The Committee also considered evidence from a number of professionals on the Scottish Government’s draft budget 2017/18.
22. On 17 November, the Committee published a [written submission](#) from SOLACE in relation to its inquiry into the Local Government Benchmarking Framework (LGBF). It details recent progress in the LGBF – including the development of development of the [Community Planning Outcomes Profile](#) which will support Community Planning Partnerships to meet their duties under the new Community Empowerment Act. The tool brings together measures of outcomes and inequality for all 32 CPPs within one profile - at partnership and locality level - and shows how they change over time. The LGBF Board plan to produce a 2 year strategic plan which will set out how the framework will link into this going forward. The LGBF annual report will be published in February, and the Commission will consider it at its February meeting.
23. On 25 November, the Committee published a report on the [Local Government Boundary Commission for Scotland's Fifth Electoral Reviews](#). It recommends that the Scottish Government and Local Boundary Commission undertake detailed scrutiny of the framework, process and methodology of electoral reviews, with improvements to be

made ahead of the sixth review, due to begin in 2022. Given the new role of Parliament in constituency boundary reviews, the Committee suggests looking at whether procedures for orders implementing changes to local government boundaries are still fit for purpose. The Commission is required to conduct electoral reviews of each local authority at intervals of eight to 12 years.

Public Audit and Post Legislative Scrutiny Committee:

24. At its [meeting](#) on 27th October, the Committee took evidence from Caroline Gardiner, the Auditor General for Scotland on her recent Section 23 report Changing models of health and social care. Members also heard from NHS Highland, Highland Council, The Highland Partnership, NHS Greater Glasgow and Clyde. The Committee considered the evidence in private and took further evidence from Fraser McKinlay, Director of Performance Audit and Best Value, and Jillian Matthew, Audit Manager, Audit Scotland.
25. At its [meeting](#) on 3 November, the Committee took evidence on:
- Section 23 report¹ - NHS in Scotland 2016: from Caroline Gardner, Auditor General for Scotland; Angela Canning, Assistant Director, Carol Calder, Senior Manager, and Jillian Matthew, Audit Manager, Audit Scotland. The Committee agreed to take further evidence from the Chief Executive of the NHS and the Director-General of Health and Social Care.
 - Section 22 report - The 2015/16 audit of NHS 24: from Caroline Gardner, Auditor General for Scotland; Carol Calder, Senior Manager, Audit Scotland and Scott-Moncrieff. The Committee agreed to write to NHS 24 about some issues raised in the audit.
 - Section 22 report - The 2015/16 audit of NHS Tayside: from Caroline Gardner, Auditor General for Scotland; Carol Calder, Senior Manager, Audit Scotland and PricewaterhouseCoopers. The Committee agreed to seek to hold a public committee meeting in Dundee to discuss issues raised in the audit.
26. At its [meeting](#) on 10 November, the Committee took evidence on:
- Section 22 report - The 2015/16 audit of the Scottish Government Consolidated Accounts: from Caroline Gardner, Auditor General for Scotland; Mark Taylor, Assistant Director, and Gordon Smail, Senior Manager, Audit Scotland and a number of other professionals from the Scottish Government. The Committee considered the evidence and agreed to write to the Scottish Government about a number of issues raised in the audit.
27. At its [meeting](#) on 17 November, the Committee took evidence on:
- Section 22 report - The 2014/15 audit of Edinburgh College: from the Scottish Government and the Scottish Funding Council. The Committee took further evidence in private from Caroline Gardner, Auditor General for Scotland; Mark MacPherson, Senior Manager, and Stuart Nugent, Audit Manager, Audit Scotland.

¹ The majority of AGS reports fall into two categories:

- Section 23 reports - examine the economy, efficiency and effectiveness of the public sector.
- Section 22 reports - concern the audit of accounts of individual public bodies.

The AGS gives evidence to the Committee on each report produced. The Committee can then take a range of actions such as noting the report, referring it to another committee for consideration, writing to the Accountable Officer of the body concerned, or conducting an inquiry.

<http://www.parliament.scot/parliamentarybusiness/29860.aspx>

- Section 22 report - The 2014/15 audit of Edinburgh College: from Scott-Moncrieff; KPMG and the Scottish Funding Council. The Committee took further evidence in private from Caroline Gardner, Auditor General for Scotland; Angela Canning, Assistant Director, and Mark MacPherson, Senior Manager, Audit Scotland. The Committee agreed to seek further information about the college.

Culture, Tourism, European and External Relations Committee:

28. The Committee is continuing its inquiry into the EU referendum and its implications for Scotland. At its [meeting](#) on 17 November, the Committee considered evidence from a variety of organisations including: the Norwegian Institute for International Affairs; the Confederation of Norwegian Enterprise and European Free Trade Association on future trade and relationships.

Finance and Constitution Committee:

29. At its [meeting](#) on 16 November, the Committee took evidence from the University of Glasgow and the Institute of Public Policy Research Scotland on public finances and economic performance. The Committee also took evidence from the Scottish Government on inter-governmental relations.

Social Security Committee

30. The Scottish Parliament's Social Security Committee and Westminster's Scottish Affairs Committee are to undertake [joint work](#) on social security. The committees are expected to focus their work on how well the two governments are working together. Convener of the Social Security Committee, Sandra White MSP, said:

"The transfer of some social security powers from Westminster to Holyrood is undoubtedly extremely complex and something that has never been done before. But at the heart of what both committees want to achieve is that people are able to receive what they are entitled to and that they are treated with dignity and respect."

31. Chair of the Scottish Affairs Committee, Pete Wishart MP, added that given the policy falls within the remit of both governments, the joint work should help ensure both are held to account. Further detail on their work is expected "in due course."

Current activity and news in Scottish local government:

COSLA

32. On 16 November, local government leaders from Scotland, England, Wales and Northern Ireland [issued a joint statement](#) calling for talks on the UK's constitutional future after the country's decision to leave the European Union. Opposing any new arrangement agreed between the UK Government and the devolved administrations, they argued a future settlement should reflect the principle of subsidiarity, and enhance the legal position and fiscal autonomy of local government. The joint statement read:

"Councils have a deep understanding of the frustrations, aspirations and possibilities within our communities. With our country increasingly defined in 'local' rather than 'national' terms, a new settlement which ignores the re-awakening of local identity in the UK in favour of a post-Brexit national identity will be unsustainable...Local government across the UK wants to ensure any new constitutional settlement is guided by the principle that decisions should be taken at the level closest to the citizen."

Improvement Service

33. The Improvement Service has expanded its change management team and is developing an 'enhanced programme of work in this area' in order to provide support to councils and partnerships to help them deliver effective transformational change. Support will be aided by the development of the [business analysis toolkit](#) as well as hands-on support to individual councils. The Improvement Service is eager to ensure its work meets the needs of local authorities and plan to make contact with councils to identify support requirements.

Individual councils

34. On 11 November, the Society of Information Technology and Management (SOCITM) [praised](#) 27 Scottish local authorities for their co-funding of a local government digital office and shared appointment of chief digital and technology officers, describing their collaborative efforts as a 'good example of the concept of place as a platform.'
35. On 1 November, North Ayrshire Council [launched](#) one of Scotland's largest ever online participatory budgeting projects in collaboration with Young Scot. The exercise will see around 21,000 young people aged 11-25 in North Ayrshire use Young Scot's online voting platform to allocate a share of £60,762 to youth projects in their local area.
36. On 1 November, Renfrewshire Council leader Mark Macmillan, who was named Scottish Local Politician of the Year 2016, [announced](#) that he will stand down in next years local government elections.
37. The Aberdeen City Region Deal was officially [signed](#) on 21 November. The agreement will see an investment of up to £250 million from the UK Government and the Scottish Government, as well as £44 million from Aberdeenshire and local partners over the next decade. Estimates suggest the total value could be up to £826m once private sector and other investment is factored in.
38. On 1 December, Perth and Kinross Council will consider a proposed scheme to raise up to £50,000 per year selling adverts on council property, plant and the Council website. Meanwhile, Highland Council on 29 November rejected proposals to erect advertising boards on three roundabouts.
39. Local government directors of finance [raised concerns](#) about the Scottish Government's public service reform at the Chartered Institute of Public Finance and Accountancy's (CIPFA) annual Public Finance debate in Edinburgh on 11 November. Leaders voted by 30 votes to 3 that reforms to a number of public services were too focused on structural alterations. Derek Yule, CIPFA Scotland local government section chair said the result showed that directors of finance were being more proactive in raising their concerns about changes. He called for government to set longer term policy objectives to help planning.
40. On 22 November, two Labour councillors facing disciplinary hearings [quit](#) the Labour Party at North Lanarkshire Council. Their defections resulted in a potential change in the balance of power. David Stocks, leader of the SNP at the council, confirmed that he was already in discussions over a motion of no confidence.
41. There have been a number of by-elections since my last report:
- On 3 November, Conservative candidate Colin Clark [gained a seat](#) in the Inverurie and District ward of Aberdeenshire Council, following the resignation of Independent Cllr Martin Kitts-Hayes.

- On 3 November, Iain Taylor [gained a seat](#) for the Conservatives in the Banff and District ward of Aberdeenshire Council, following the death of SNP Councillor Ian Gray.
- On 17 November, Douglas Fairbairn [gained a seat](#) for the Conservatives in the Annandale North ward of Dumfries and Galloway Council following the resignation of Labour Councillor Graeme Tait.

Scrutiny, inspection, regulatory and related bodies

Commissioner for Ethical Standards in Public Life in Scotland:

42. Since the previous meeting of the Commission, six decisions on complaints relating to councillors have been published by the [Commissioner](#). The Commissioner decided that in five cases individuals did not contravene the Councillors' Code of Conduct. The complaints were against:
- [Councillor Susan Kerr](#), South Lanarkshire Council
 - [Councillor Jim Dempster](#), Dumfries and Galloway Council
 - [Councillor Wendy Agnew](#), Aberdeenshire Council
 - [Councillor John Kane](#), Glasgow City Council
 - [Councillors David Lumgair, Jeanette Gaul and Alex King](#), Angus Council
43. In one case, [Councillor William Cormie](#) of Aberdeen City Council was held to be in breach of the Code. The case has been referred to the Standards Commission and a hearing is due to take place in January 2017.

Standards Commission for Scotland:

44. There have been two hearings by the [Standards Commission for Scotland](#) since my last report:
- At a [hearing](#) on 24 October 2016, the Commission censured Councillor Alan Nimmo of Falkirk Council for breaching the Councillors' Code of Conduct. The sanction was imposed as a result of a failure by Councillor Nimmo to comply with the provisions in the Code which prohibits elected members from using their position as a councillor to seek preferential treatment from the Council.
 - At a [hearing](#) on 22 November 2016, the Commission censured Councillor Thomas Rainey of Dunbartonshire Council for failing to declare an interest. The sanction was imposed as a result of Councillor Rainey's failure to declare a non-financial interest and to withdraw from a Planning Committee that determined a planning application on a site which formed part of the estate of St Patrick's Church, Dumbarton, despite Councillor Rainey having a close association with the Church.

Care Inspectorate:

45. On 7 November, the Care Inspectorate published [Complaints about care services in Scotland, 2011/12 to 2015/16 - A statistics bulletin](#). The report found that complaints about care services have increased by 45% over a five year period but the quality of care overall has improved. The main aspects of care that people complained about were communication between staff and people using care and their representatives, and staffing levels. 59% of complaints were upheld in 2015/16. This varies by type of service, with complaints about care at home most frequently upheld (75%) while complaints about childminders were upheld in only 49% of complaints investigated. The

inspectorate said that the increase in complaints received ‘may reflect an increasing awareness of the Care Inspectorate’s role in investigating complaints as well as rising public expectations of care.’

UK Parliament

General

46. On 23 November, the Treasury published the [Autumn Statement 2016](#), alongside the [Impact on households: distributional analysis](#), [policy costings](#) and [data sources](#). Chancellor of the Exchequer, Philip Hammond, indicated that the Government would not seek to balance the budget before the end of the Parliament and would instead focus on investing in high-tech infrastructure to boost productivity. Key announcements include:
- The UK will have a new budget timetable from next year, with a full Budget being delivered in the autumn and a “spring statement” being given in response to the Office for Budget Responsibility’s reports without any major fiscal events.
 - Confirmation that £800m worth of the additional spending will be transferred to Scotland through the Barnett formula.
 - The UK Government is committed to an Edinburgh City Deal and will progress discussions on a city deal for Stirling.
 - Three new fiscal rules will be implemented: Firstly, the Government must return the public finances to balanced state as early as possible in the next Parliament, with borrowing below 2% by the end of this Parliament. Secondly, the share of public sector debt as a percentage of GDP must be falling by the end of the Parliament and finally, welfare spending must be capped and monitored by the Office of Budget Responsibility.
 - A new National Productivity Investment Fund will provide £23bn of support for R&D, digital communications, transport and housing projects.
47. In addition to this, the Autumn Statement also confirmed [borrowing powers](#) for combined authorities, designed to increase local growth and productivity. Chancellor Philip Hammond said combined authorities would be given the powers “to borrow for their new functions”, which would allow them to invest in economically productive infrastructure. He plans to consult on lending local authorities up to £1bn at a new local infrastructure rate to support infrastructure projects that are deemed high value for money.
48. The Local Government Association (LGA) and the NHS Confederation have [criticised](#) the Autumn Statement for its lack of commitment to the health and social care sector. Chief Executive of the NHS Confederation, Stephen Dalton, said it is an “economic deception” to rely on political rhetoric that promises to protect the NHS but fails to acknowledge that a cut in social care costs the health service too. Lord Porter, chair of the Local Government Association, agreed it was “unacceptable” that the Autumn Statement had not addressed the “desperate need” for action, despite councils, the NHS, charities and care providers making this clear. The LGA predicts an “extremely challenging” few years ahead for councils, who face an estimated £5.8bn funding gap by 2020.

Communities and Local Government Committee:

49. On 23 November, the Committee [met](#) to discuss how communities and local authorities can use innovative models to enhance and protect public parks, including ‘alternative funding sources and models for parks, and the benefits and challenges of alternative land management arrangements.’ The Committee also examined the ‘relationships

between communities and parks and what is being done to share knowledge and coordinate parks policies at local, regional, and national levels.’ The Committee took evidence from a number of organisations including Core Cities Parks and Greenspace Group, the Land Trust and The Parks Trust Milton Keynes.

50. On 28 November, the Committee [met](#) to discuss the current housing situation. In particular, members questioned housing associations on their ‘relationships with private developers, the impact of shared ownership and right to buy, and whether it is easier to build homes in certain parts of the country.’ The Committee also heard from a number of local authorities on the planning system, land allocation, and joint ventures and partnerships.

Scottish Affairs Committee:

51. On 28 October the Scottish Affairs Committee launched an [inquiry](#) into sustainable employment in Scotland. The inquiry will examine ‘how employment in Scotland may change in the coming decades and how UK Government will support the creation of quality, secure jobs.’ In particular, the Committee will examine how effective UK policy is in protecting people from unfair employment practices. The Committee will be accepting [written submissions](#) until the end of the year.

Public Accounts Committee:

52. On 21 October, the Committee published [Departments’ oversight of arm’s-length bodies](#). The report found that Government departments now have more than 460 ‘arm’s-length bodies’, through which they spend around £250 billion a year. And, despite increasing reliance on ‘arms-length bodies’, the quality of their oversight is inconsistent and they do not always have the information to understand how their bodies are performing. Departments are also ‘missing opportunities to improve services by capitalising on the operational experience and know-how of their arms-length bodies when developing policy.’ The Committee stresses the need for better shared understanding of what works to ensure that departments improve the way they manage ‘arms-length bodies.’
53. On 18 November, the Committee published a report on the [Financial sustainability of local authorities](#). The report finds that in recent years revenue pressures have led to changes in the nature of capital spending and authorities are now ‘focussing more on schemes intended to generate future revenues’ and as a result many are investing in property rather than physical assets. The Committee has expressed its concern that the Department of Communities and Local Government ‘appears complacent about the risks to local authority finances, council tax payers and local service users arising from the increasing scale and changing character of commercial activities across the sector.’ It claims that the ‘Department does not have good enough information to understand the scale and nature of authorities’ commercial activities or which authorities are placing themselves at greatest risk.’ The Committee warns that unless the Department strengthens its understanding of the issues it will ‘not be well placed to anticipate risks to financial and service sustainability.’

Other UK Audit Bodies

National Audit Office:

54. On 9 November, the NAO published its [Overview of Local Government](#) for 2015/16. Figures for 2015/16 onwards show that council tax income is expected to grow by 3.9% per annum and the rate of decline in government grant is relatively stable falling by 7.2% per annum in real terms from 2010/11 to 2015/16, and then 7.8% per annum from 2015/16 to 2019/20. In addition to this, authorities have budgeted to spend 32.6% (£14.4 billion) of their non-schools expenditure on adult social care; and 16.7% (£7.4 billion) on children’s social care in 2016/17, a combined total of 49.3% (£21.8 billion) of total non-schools service spend.

Wales Audit Office:

55. On 10 November, the WAO published [Charging for services and generating income by local authorities](#). The Auditor General increase charges on services, how performance on generating income has changed in recent years and concluded that 'despite raising more money from charging, authorities are not pursuing all options to generate income because of weaknesses in their policies and in how they use data and information to support decision making.'

Other general

56. On 22 November, the Office of National Statistics published [UK public sector finances: Oct 2016](#). Public sector net borrowing decreased by £5.6bn compared to the same time last year, whilst public sector net debt increased by £50.9bn, totalling 83.8% of GDP.
57. Deloitte's annual [State of the State](#) report for 2016/17 was published on 21 October and has reported that 861,000 public sector jobs could be lost to automation by 2030, saving £17 billion in wages.
58. On 10 November Liverpool Council [warned](#) that if it does not increase council tax then all council run services would have to be cut by 50%, with adult social care services and children's services being hit the hardest. Joe Anderson, Liverpool's Mayor, wants to hold a public referendum to ask residents whether they would support a 10% increase in council tax to help the local authority maintain public services.
59. On 11 November, Virgin Care [won](#) a £700m contract to run 200 NHS and social care services in Bath and Somerset. Virgin Care will become the main provider of a wide range of care for adults and children, including diabetes, dementia and mental health services. Transformation will begin on 1 April 2017.

Conclusion

60. The Commission is invited to consider and note this report.

Paul Reilly
Secretary to the Accounts Commission
30 November 2016

MEETING: 10 DECEMBER 2016**REPORT BY: SECRETARY TO THE COMMISSION****ROLLING WORK PROGRAMME: ANNUAL REFRESH**

Introduction

1. The purpose of this report is to introduce Audit Scotland's proposals for the annual refresh of the Commission's rolling work programme.

Background

2. At its December 2015 meeting, the Commission approved a new approach to work programming. In summary, the new approach involves a rolling five-year programme of work published jointly with the Auditor General. The programme is refreshed on an annual basis, setting out detailed work for the first two years and an indication of likely areas of work for the subsequent three years. A summary of the current programme is contained in Appendix 1.

Proposals

3. Audit Scotland is proposing a refresh of the work programme as set out in Appendix 2.
4. The proposals have been subject to initial high level discussion between Audit Scotland officials and the Commission Chair and Deputy Chair, as well as between officials and the Auditor General.

Commission Strategy

5. The Commission's Strategy includes the following strategic priorities:
 - ensuring our approach to the financial audit and auditing Best Value clearly sets out the Best Value expectations of councils and reports on councils' improvement and their use of public money.
 - ensuring that our five-year programme of national performance audit work appropriately covers the key areas of public policy and is encouraging improvement in those areas.
6. The five-year rolling work programme delivers these priorities, as well as the wider Commission Strategy.
7. At its mid-year Strategy Seminar on 14 September, Commission members considered those aspects of its Strategy that it wants to ensure are effectively reflected in audit work. These aspects are based on a set of 'challenges' that it has set councils in its Strategy. Based on these, members agreed a set of Strategic Audit Priorities (SAPs) to help clarify what important issues it would like to see reflected in audit work. They are:
 - The clarity of council priorities and quality of long-term planning to achieve these;
 - How effectively councils are ensuring members and officers have the right knowledge, skills and time to lead and manage delivery of council priorities;

- How effectively councils are evaluating and implementing options for significant change in delivering services;
 - How effectively councils are involving citizens in decisions about services; and,
 - The quality of council public performance reporting to help citizens gauge improvement.
8. These SAPs are most directly reflected in the new approach to auditing Best Value. The Commission is also, however, keen to ensure that they are considered by all auditors involved in local government work, both locally and nationally. For that reason, Audit Scotland has considered them when preparing the work programme refresh proposals.
 9. The SAPs sit alongside the four audit dimensions that the Auditor General, the Accounts Commission and Audit Scotland have agreed should frame all wider scope audit work, including annual audit, Best Value and performance audits. In the local government sector, the appointed auditor's annual conclusions on these four audit dimensions will contribute to an overall assessment and assurance on Best Value.
 10. All appointed auditors must consider these audit dimensions when scoping, planning, performing, and reporting their work.

Exhibit 1

The four audit dimensions



Source: Code of Audit Practice

11. The dimensions are:
 - **Financial sustainability** looks forward to the medium (two to five years) and longer term (longer than five years) to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.
 - **Financial management** is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.
 - **Governance and transparency** is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making, and transparent reporting of financial and performance information.

- **Value for money** is concerned with using resources effectively and continually improving services.

Other areas of interest

12. On top of the Commission's SAPs and the audit dimensions, the Commission's deliberations in recent months have indicated other areas of interest that the Commission would like to see featured in its rolling work programme.
13. For example, at its mid-year strategy seminar, the Commission highlighted the following potential topics:
 - Income generation and its links with council tax reform
 - School attainment
 - A watching brief on possible changing structures, e.g. ALEOs, *Following the Public Pound* and integration authorities and health and social care.
14. The Commission's committees have also highlighted the following topics at their recent meetings
 - Indebtedness and borrowing, including: LOBOs, and non-borrowing debt (FAAC)
 - Borrowing, particularly around 'innovative financing' (including PFI) (PAC)
 - Links between attainment and the Curriculum for Excellence (PAC)
 - Local government support for public transport (PAC)
 - Community justice, particularly around local issues (although noting in this regard the ongoing inquiry by the Parliament's Justice Committee into the role and purpose of the Crown Office and Procurator Fiscal Service (PAC)
 - The involvement of other scrutiny partners such as Education Scotland in work around educational attainment (PAC).
15. Exhibit 2 below sets out how these potential issues – plus other priorities in the Commission's strategy - are proposed to be addressed in the refreshed work programme.

Exhibit 2

Audit Scotland's proposed reflection of Commission's areas of interest

Topic	Proposed reflection
<p>Income generation and its links with council tax reform</p>	<p>Many English councils have responded to the longer-term expectation that English local authorities will be self-funding, i.e. no longer reliant on central government funding when the Revenue Support Grant ceases to exist in 2020, by becoming more entrepreneurial.</p> <p>It is proposed that the local government overview team considers whether benchmarking data on income generation and local economic self-sustainability for each of Scotland's 32 council areas could be gathered for a future LG overview report.</p>
<p>Links between educational attainment and the Curriculum for Excellence (CfE)</p>	<p>It is proposed that a Round Table with key stakeholders be held on the topic of Educational Attainment in 2017/18, which will lead to the publication of a set of alternative audit outputs.</p> <p>The Round Table will also be used to inform the scoping of a more detailed piece of audit work on this topic that is scheduled for 2019/20.</p> <p>Further monitoring of policy developments in this area will continue during 2018/19 (including monitoring of SG and local government spending and its impact on improving educational attainment).</p>
<p>Indebtedness and borrowing, including: LOBOs, and non-borrowing debt</p>	<p>The local government overview team audit has been working closely with the FAAC in the development of the 2016 local government financial overview report.</p> <p>These issues have already been picked up as part of that process and were reflected in the financial overview of local government in Scotland 2015/16 report that was published on 29 November 2016.</p>
<p>Borrowing, particularly around 'innovative financing' (including PFI)</p>	<p>The 2017/18 work programme includes a proposed joint audit with the Auditor General on City Deals as part of a longer-term programme of work on Innovative Financing.</p> <p>It is proposed that the second phase of work on Innovative Financing is a joint AGS/Commission performance audit that focuses on the extent to which the first phase of Non-Profit Distributing (NPD) projects are delivering value-for-money. This audit would involve some case study work and analysis of earlier PFI/PP projects for comparative purposes.</p>
<p>Watching brief on possible changing structures</p>	<p>Developments in this area are kept under regular review by the Commission Secretary, and the Health, Care and Communities cluster group.</p> <p>Where appropriate update reports on this matter will be brought to the Commission.</p>
<p>Integration Joint Boards (IJBs) and health and social care integration</p>	<p>The Accounts Commission received a briefing on the current arrangements for the audit and inspection of health and social care integration at its meeting on 10 November 2016.</p> <p>That report set out the links between the range of national and local activity that is planned by the Accounts Commission, the Auditor General for Scotland, and Healthcare Improvement Scotland and the Care Inspectorate, and the planned timetable for future national and local audit work on health and social care.</p> <p>It also highlighted the fact that alongside the planned audit work, progress with health and social care integration will continue to be monitored routinely through the work of the health, care and communities cluster.</p>

Topic	Proposed reflection
Arms-length external organisations (ALEOs)	It is proposed that the Commission's long-standing interests in ALEOs are addressed in two ways in the refreshed work programme: <ul style="list-style-type: none"> a) Alternative outputs and a performance audit on ALEOs are planned for 2017/18 and 2018/19 respectively b) council's use of ALEOs, and in particular their compliance with the FtPP Code, will be picked up in the new BV audit approach (see below)
Following the Public Pound (FtPP)	Following a review of the Code of Guidance for Funding External Bodies and Following the Public Pound ('the FtPP Code') at its meeting in August 2015, the Commission agreed that the future assessment of councils' compliance with the FtPP Code would be incorporated as part of the new integrated Best Value audit approach. The first six new Best Value audits in 2017/18 will therefore provide the Commission with evidence on the extent to which those councils (Inverclyde, Renfrewshire, East Renfrewshire, West Lothian, Orkney and Clackmannanshire) are able to demonstrate compliance with the FtPP Code.
Local government support for public transport	This is proposed to be considered as a potential alternative audit output based on further cluster work.
Community justice	This is proposed as a performance audit.

Resource implications of the Commission's new approach to auditing Best Value

16. As reflected in paragraph 8 above, the roll-out, during 2017/18, of the Commission's new approach to auditing Best Value is of major strategic importance to the Commission and Audit Scotland. The resource implications of the new approach, and how this affects the work programme proposals, is discussed in paragraphs 37 to 39 of the attached Audit Scotland paper.

Equalities considerations

17. In line with the Commission's equalities outcomes commitments, Audit Scotland will undertake an equality impact assessment (EIA) on the refresh proposals. The EIA will be considered by Audit Scotland's Equality and Diversity Steering Group and published on its website. Further details of the exercise are in paragraph 62 of Appendix 2.

Consultation

18. The Commission is obliged by statute to consult with stakeholders before undertaking any of its performance audit work (specifically 'such associations of local authorities or other bodies whose accounts are required to be audited' and '(appropriate) associations of employees').¹ It is therefore proposed that the Commission consults immediately on the draft work programme with COSLA, the Scottish Local Government Partnership, SOLACE and trade unions Unison, Unite and GMB (these are the three members of the Scottish Joint Council, which represents local government employees).
19. I will report back to the Commission on the outcome of the consultation.

¹ 1973 Local Government (Scotland) Act, section 97A(3).

Conclusion

20. The Commission is invited to:

- Approve the attached draft work programme including detailed proposals for 2017/18 and 2018/19, as a basis for consultation with stakeholders.
- In particular consider the options for alternative performance audits.
- Agree to delegate to the Chair of the Commission the authority to finalise the programme following consultation with the Auditor General for Scotland.
- Note that an equality impact assessment has been prepared on the work programme that will be published once it has been considered by Audit Scotland's Equality and Diversity Steering Group.
- Approve the proposed consultation arrangements.
- Note that I will report back on the outcome of the consultation.

Paul Reilly
Secretary to the Accounts Commission
30 November 2016

APPENDIX 1: CURRENT WORK PROGRAMME

The table below summarises proposals for audit work from 2016/17 to 2020/21. Proposals for audit work in 2018/19 – 2020 relate to areas of reform, risk or public interest. These will include themes of work involving a series of reports, for example proposals for audits focused on mental health services and housing. We will continue to monitor developments in these areas as we continue to develop the programme on a rolling basis.

	2016/17	2017/18	2018/19	2019/20	2020/21
Auditing Best Value	6 or 7 Best Value reports	6 or 7 Best Value reports	6 or 7 Best Value reports	6 or 7 Best Value reports	6 or 7 Best Value reports
Overview reporting	Local Government	Local Government	Local Government	Local Government	Local Government
Performance audit	<ul style="list-style-type: none"> • Equal Pay • Social work • Self directed support follow-up • * Early learning and childcare • * Roads maintenance follow-up 	<ul style="list-style-type: none"> • ALEOs • * Innovative financing - City deals • * Health and social care integration: part 2 • * Children's mental health 	<ul style="list-style-type: none"> • Waste management • Welfare reform • Community empowerment • School attainment • * Housing • * Health and social care integration: Part 3 • * Community justice • * Mental health 	<ul style="list-style-type: none"> • Digital services • * Housing • * Youth offending • * Mental health 	<ul style="list-style-type: none"> • * Housing • * Mental health

* Joint report with the Auditor General for Scotland

APPENDIX 2: PROPOSED WORK PROGRAMME

(see attached Audit Scotland paper)

ACCOUNTS COMMISSION AND AUDITOR GENERAL FOR SCOTLAND ROLLING WORK PROGRAMME REFRESH

Introduction

1. This paper sets out proposals for refreshing the Accounts Commission and Auditor General for Scotland's five-year rolling programme of performance audit work.
2. The refresh proposals draw on the wide range of policy monitoring and external engagement activity that Audit Scotland undertakes on behalf of the Auditor General and the Commission. They also take into account significant policy developments that have taken place since approval of the first iteration of the rolling work programme in December 2015.
3. The refresh proposals reflect the Commission's Strategy, the strategic improvement priorities set out in Audit Scotland's Corporate Plan (2015/18), and the need to resource implementation of the Commission's new approach to auditing Best Value during 2017.

Background

4. In December 2015, the Auditor General and the Accounts Commission agreed their first five-year rolling work programme for 2016/17 to 2021/22. The programme reflected a more strategic approach to planning and managing our work. It involved a shift from an annual work programme to a longer-term view that reflected the Commission's and Auditor General's strategic priorities and the key risks and opportunities facing Scotland's public sector.
5. The programme refresh proposals cover all of the work Audit Scotland carries out on behalf of the Commission and the Auditor General, with the exception of the local annual audit work. The balance of work proposed in the work programme reflects the respective levels of audit fees and funding received by the Accounts Commission and Auditor General. The programme includes a mixture of new work (including responses to issues identified through our audit work) and follow-up audits to help us measure how public services are improving in response to our work. It also reflects the new approach to auditing Best Value that is being implemented during 2017/18.
6. The programme also includes a number of audits that will be undertaken jointly on behalf of the Auditor General and the Commission. Topics that are selected for joint audits include important cross-cutting policy areas and major programmes of public service reform. A common area of focus for joint audit work is how well public bodies are working together to improve services and deliver better outcomes for particular groups. Because these audits look systematically at service delivery and performance across the public sector they offer insights into what works, and what doesn't, and why. In doing so they support learning and continuous improvement in line with the shared vision for public audit set out in the Auditor General and Accounts Commission joint publication [Public audit in Scotland](#).

Annual refresh of the five year rolling programme

7. One of the principles behind the adoption of a longer-term five year rolling work programme was that the programme should have a degree of stability and would not be expected to change radically year-on-year. However, it was always planned that the programme would be subject to an annual refresh process to provide assurance to the

Commission and the Auditor General that the proposed audit work and its scheduling remained relevant and appropriate.

8. This is the first formal refresh of the five-year rolling work programme. In preparing these proposals, we have given careful consideration to:
- The Accounts Commission and Auditor General's strategic audit priorities.
Appendix 1 sets out how the Commission's Strategic Audit Priorities (SAPs) and Audit Scotland's four audit dimensions are reflected in Best Value audit work, the shared risk assessment process, overview reporting and the proposed performance audit programme.
 - Significant changes that have taken place in the public sector policy environment since the original rolling work programme was approved last December.
These are set out in Exhibit 1 and paragraphs 11-17.
 - New audit risks and issues that have been identified through on-going programme development and audit intelligence work during 2016.
These are summarised in the audit proposals from the three clusters (PIE, JELL and HCC) in paragraphs 22 – 29.
 - The need to balance ongoing areas of audit interest (including follow-up work) with potential new pieces of audit work.
 - The opportunities that ongoing programme development activity presents to create a range of alternative audit outputs that will enable us to respond in a more agile way to emerging audit risks.
See paragraph 10 and Appendix 2 (page 21)
 - The need to generate the greatest value from the entire range of audit work that Audit Scotland undertakes on behalf of the Commission. In particular, making clear links between the performance audit programme, overview reporting and the Commission's new approach to auditing Best Value.

Programme development activity during 2016

9. We have continued to strengthen our approach to programme development work during 2016 in the three policy portfolio cluster groups: Public finances, investment and the environment (PIE); Health, care and communities (HCC); and Justice, education and life-long learning (JELL), by:
- Engaging differently, and with a wider group of stakeholders, about issues that they think might usefully feature in our work programme - for example with children and young people (e.g. through Young Scot), consumer groups (e.g. Age Scotland), and the public policy and academic community (IPPR, Policy Hub).
 - Improving how we use data both to inform what, when, and where we audit, but also in its own right as a potential audit output. For example, we used data visualisation software to publicise our data analysis on *Maintaining Scotland's roads* follow-up audit and overview reports.
 - Developing a range of flexible alternative outputs. These have included:

- Additional outputs to complement audit reports, e.g. the suite of supplements to the *Higher Education* and *Social Work in Scotland* reports, and the pull-out graphical representation of future funding and spending arrangements prepared as part of the *Scotland's new financial powers – key issues for the Scottish public finances* report.
 - Different reporting approaches, such as the more visually-driven, web-based reporting used for the *Superfast broadband for Scotland: a progress update* audit and the recent health and social care animation project.
10. We are committed to further improving our cluster-based programme development approach during 2017/18. Key areas of development will include:
- Strengthening the focus on patterns of public expenditure and the effective use of public finances within cluster activity.
 - Aligning cluster-based data analytics activity with Audit Scotland's corporate Audit Intelligence (AI) project.
 - Extending our approaches to external stakeholder engagement to cover a wider range of interest groups (e.g. a stronger focus on the voluntary sector).
 - Using our parliamentary engagement strategy to ensure our audit work supports effective parliamentary scrutiny.
 - Using our programme development activity to develop a wider range of publishable alternative audit outputs (e.g. bespoke data analysis, key issues briefing papers and good practice guidance).
 - Ensuring that our follow-up audit work and impact reporting supports improvements in public services.

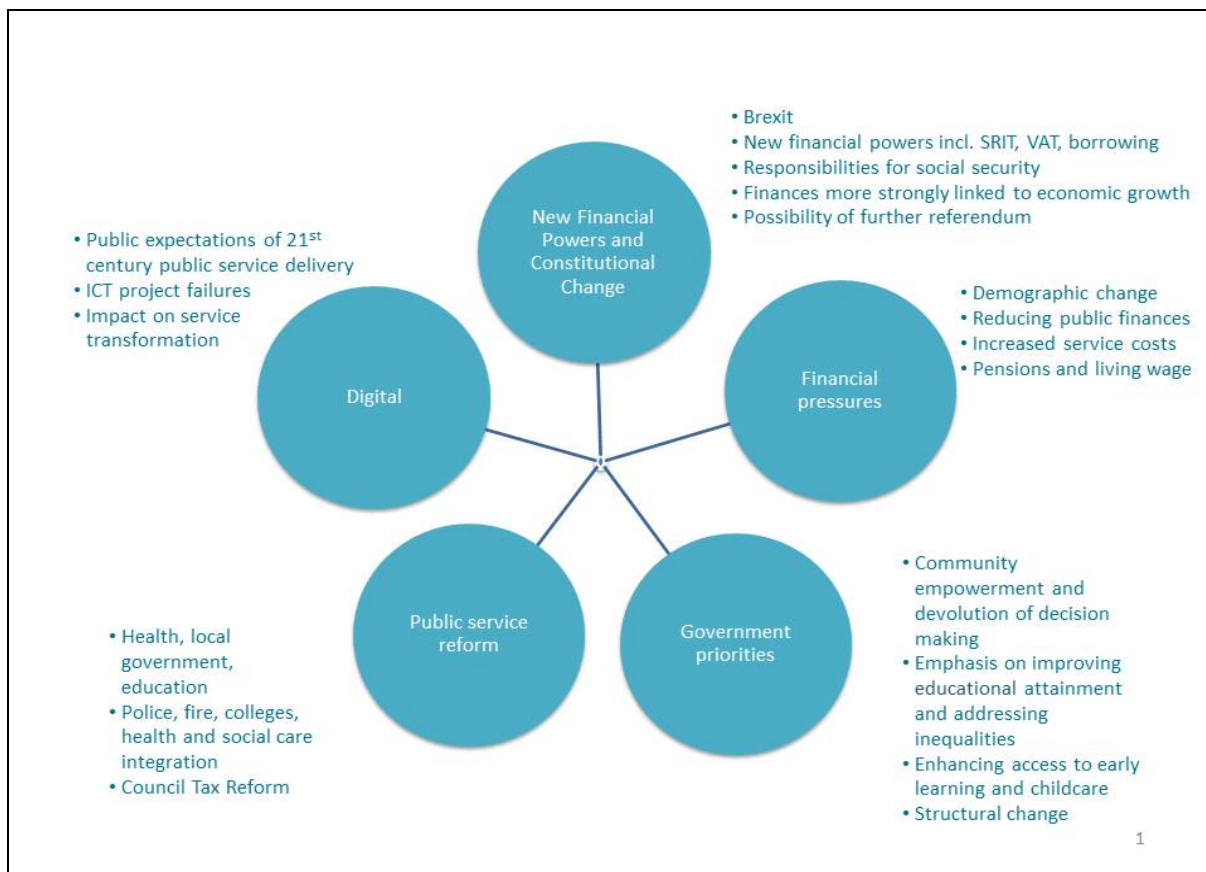
The strategic context for the work programme refresh

11. Public services in Scotland are going through a period of significant change and face unprecedented challenges in terms of both public expectations about their performance and demand pressures through demographic change. This is at a time when increasing prominence is given to the value of engaging differently with people who use services to enable their increased involvement in design, development and delivery of the services that affect them. Whilst the community empowerment agenda of involving people in different ways to improve public services is increasingly accepted, this will be difficult in the context of reducing public finances. Public bodies have so far coped well with these challenges, but those leading and managing public services will face increasingly difficult choices about how to spend the money that is available.
12. At the same time, the Scottish Parliament is assuming greater responsibilities within a new fiscal framework. The new powers give more control over public finances and bring new opportunities and challenges. The Scottish Government will have more choice over tax and spending, and more decisions to make about how and when to use its new borrowing and reserve powers. The relative strength of the Scottish economy will have a greater influence on public finances than ever before. The budget process will become increasingly complex, and subject to greater uncertainty and volatility than when the block grant from the UK Government was relatively fixed. As a result, forecasting will become more important.
13. Audit Scotland's public sector risk framework is used to identify audit risks associated with this changing public sector context. It is underpinned by sector current issues reports, communications digests, 'hotlist' reports, cluster briefings and correspondence update reports. The intelligence that we gather through these processes is used to

inform our programme development work. Exhibit 1 sets out some of the key public sector policy context issues that have informed and influenced the refresh proposals.

Exhibit 1

The changing public sector policy context



Source: Audit Scotland

14. Several of these major issues (new financial powers, health and social care integration, police and fire reform, educational attainment, early learning) are already reflected in our work programme. There are other areas such as Council Tax reform, potential structural change, the proposed Circular Economy and Zero Waste Bill where the audit implications remain unclear and therefore will be subject to monitoring and review as part of our ongoing programme development work.

Scotland's public finances

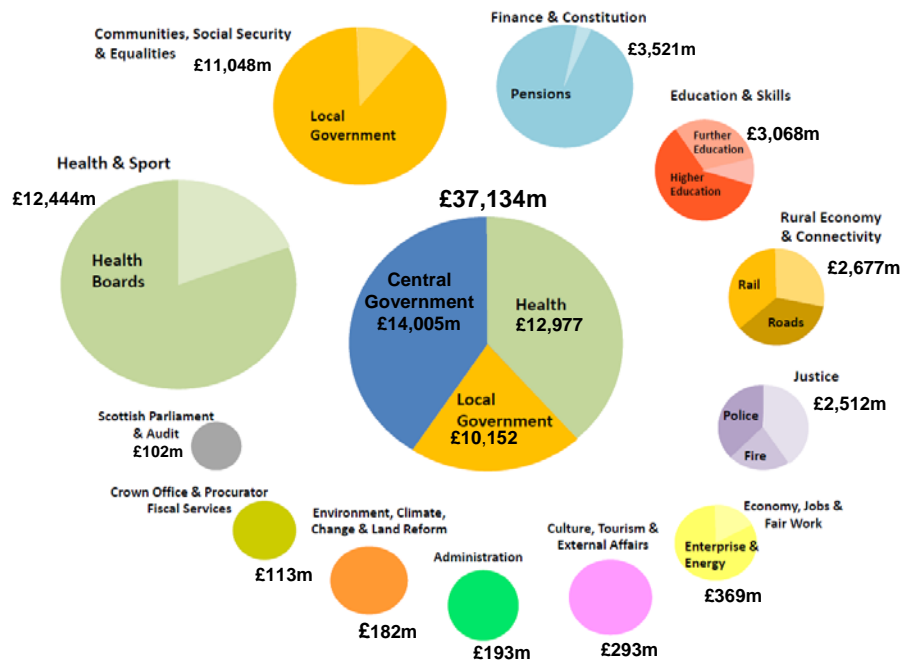
15. Our work programme needs to properly reflect the fiscal opportunities and challenges facing Scotland. The recent Fraser of Allander Institute report stressed the internationally unprecedented scale of fiscal devolution arising from the Scottish Parliament and Scottish Government's new financial powers¹. The report also highlights the need for ambitious programmes of reform in Scotland if people are to continue to access high quality public services with much fewer resources.

16. Even at a time of reducing public finances, the resources available to support the delivery of public services in Scotland remain significant (Exhibit 2).

¹ Scotland's Budget – 2016, Fraser of Allander Institute. September 2016.

Exhibit 2

Expenditure on public services in Scotland 2026/17



Source: Scottish Government

17. We will continue to strengthen the focus on how public finances are being used through our cluster activity during 2017/18 by:

- Mapping key areas of spend against performance data (within and across portfolio areas).
- Identifying areas of significant public expenditure that have not been previously been the subject of significant audit interest (such as our recent work on HE and economic development) to inform proposals for future audit work.
- using this analytical work to develop briefing materials and alternative audit outputs, some of which may be of interest to committees of the Scottish Parliament.

How the public sector strategic context is reflected in the refreshed five year work programme proposals

18. The first five-year rolling work programme for 2016/17 to 2021/21 included a number of strategic themes:

- managing fiscal autonomy
- health and social care integration
- community empowerment
- mental health
- innovative financing
- housing
- digital services, and
- higher education.

19. Inevitably with a longer-term work programme, as the programme moves beyond years one and two there is more uncertainty about the focus of future potential audit work. In some areas (e.g. housing, higher education and mental health) we had not identified what the specific focus of any pieces of audit work might be in years 4 and 5 of the initial programme.
20. To an extent, a degree of uncertainty about the longer-term audit programme is not problematic given that the work programme is subject to annual review. However, in refreshing the work programme we have sought to provide greater clarity about our proposed audit work across each strategic theme area. We have also sought to provide greater clarity about the rationale for each proposed piece of audit work.
21. The following section of the report sets out a strategic overview of the proposed audit work in each of the three policy portfolio cluster areas.

Audit proposals for the Public Finances, Investment and Employment (PIE) cluster

22. The PIE cluster proposes audits that reflect a long-term approach to auditing key areas of public sector finance and activity, which are of significant audit, parliamentary, and in some cases, media interest. We will continue our series of reporting on the devolution of new financial powers, due to their increasing importance as sources of funding for the public sector. Similarly, proposed audits in 2017/18 on City Deals, support to ferry services, the Forth Replacement Crossing and CAP Futures follow-up maintain our ongoing interest in the management of infrastructure investment and ICT projects. These themes continue into 2018/19 with proposals for audits examining the value for money of Non-Profit Distributing (NPD) projects, options for an audit on either waste management or reforming public services through better asset management, and digital progress in central government and health.
23. Many of the areas covered by the PIE cluster involve the enabling of public service delivery rather than the direct delivery of services themselves. As such, there are clear connections between the PIE cluster and both the JELL and HCC clusters which have a more direct focus on customers, citizens and the front-line services they use.

Audit proposals for the Justice, education and life-long learning (JELL) cluster

24. The JELL cluster proposes audits that cover fundamental aspects of both local and central government. Proposed audits on early learning and childcare, school educational attainment, colleges, higher education and employability and skills will provide a strong overarching picture of the learning pathway. These will also cover a significant proportion of public sector expenditure, in areas that are seen as critical to the development of an equitable and prosperous Scotland.
25. Our audit work on important aspects of post-compulsory education will see us focus on both young people and those who are older and who may not have secured all of the expected benefits of the education and skills systems. Important national developments such as ongoing implementation of the Curriculum for Excellence, Developing Scotland's Young Workforce, the Scottish Government's education governance review, the Scottish Government's review of the enterprise and skills agencies and the transfer of responsibilities for employability services from the UK to Scotland will all be considered as part of our wider work. An important area of focus for this cluster will be on educational attainment. The cluster is proposing to host a Round Table in 2017/18 to help shape the focus of the proposed audit on this topic in 2019/20. Further programme development in this area is also planned in 2018/19, analysing Scottish Government investment in addressing the attainment gap and assessing its impact on delivering improved outcomes. We anticipate that this work will lead to an alternative audit output.

26. There are clear connections between education and lifelong learning, and the programme of audits will allow us to develop our understanding of the key progression points and the overall system of provision. There are also opportunities to draw together areas of interest with justice, for example, whether a particular learning pathway is more or less likely to result in young people finding themselves in the justice system. We have also explored opportunities to link with other clusters, for example, with the HCC cluster in terms of mental healthcare for prisoners (as part of our proposed series on mental health services) and mental health services for children; and with the PIE cluster on the clear links between skills, employability and economic growth.

Audit proposals for Health, Care and Communities (HCC) cluster

27. Most of the audits proposed by the HCC cluster reflect a long-term approach to key issues affecting local government and the NHS. We will continue our series of reporting on health and social care integration, reflecting the significance of this reform and its potential impact on public sector expenditure and meeting the needs of an ageing population. Our 2017/18 audit will assess the progress made in establishing effective arrangements for governance, budget-setting, and changing how services are delivered. This will be followed in 2020 with a look at the impact of these changes in improving the outcomes for service users. Housing, an important aspect of integrated services and a subject of significant interest from councillors and MSPs, will be the focus of two audits. The first will be carried out in 2018/19 and will look at how the supply of affordable housing, the impact of policy changes on the right to buy, and meeting the housing needs of an ageing population. A second audit of housing is proposed to be carried out in 2020/21.
28. We are also proposing to carry out two series of audits in the NHS, covering mental health services and NHS workforce. As an area of significant public interest, there have been relatively few audits of mental health services in recent years. We plan to carry out the first of three audits in 2017, looking at children's mental health services. A second audit, with clear links to the work of the JELL cluster, will look at prisoner healthcare. A third audit is proposed for 2021. As a major area of expenditure, a series of audits will look at the NHS workforce. Over the next year, we will examine the issues relating to the clinical workforce based in hospitals. A second audit in 2018/19 will look at community-based issues, such as GP recruitment and retention.
29. Other audits planned by the HCC cluster include self-directed support (2017) and a series of alternative audit outputs examining the measures being taken to reduce variations in costs and treatments across the country. Local government focused audit work planned by the HCC cluster includes a programme of work on the implementation and impact of the Community Empowerment (Scotland) Act 2015 and audit work on the use of arms-length organisations by local government (2018/19).
30. The composite proposed refreshed five-year work programme is attached at Appendix 2.

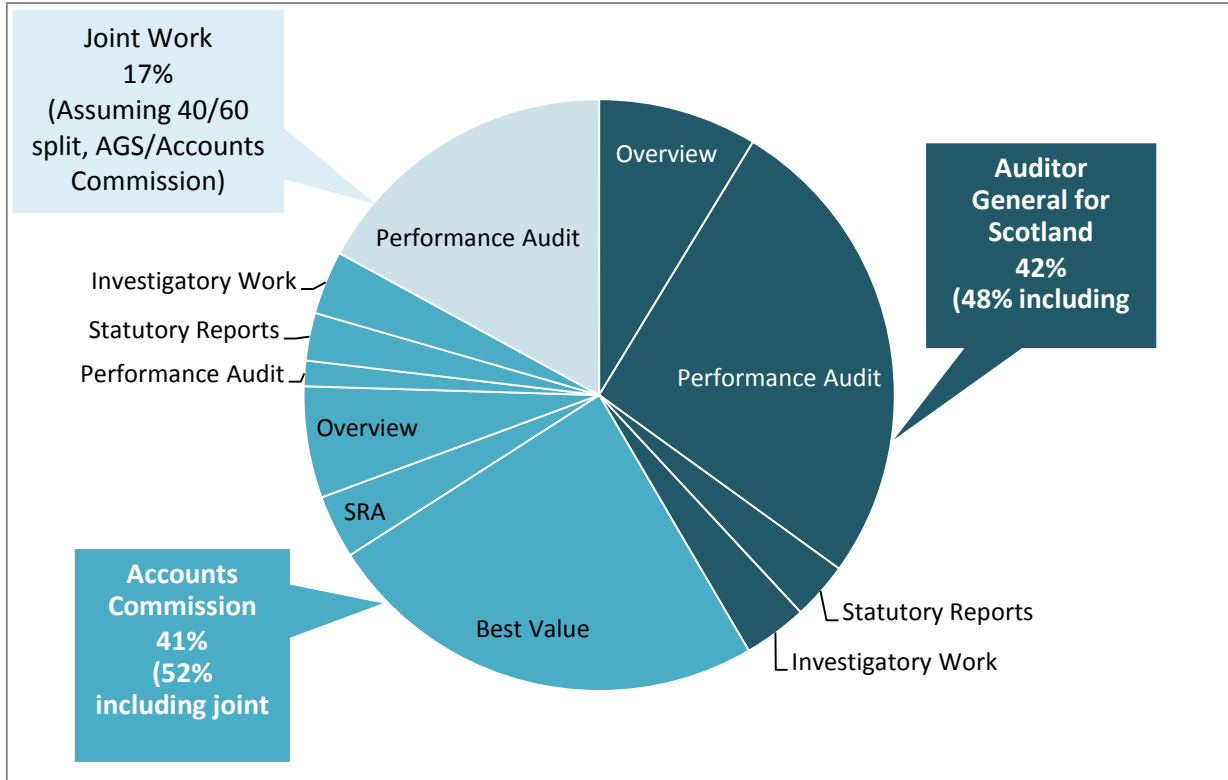
Accounts Commission and Auditor General for Scotland proposed work programme 2017/18 – 2018/19

31. This section of this report focuses on the shorter-term (2017/18 – 2018/19) work programme for the Commission and Auditor General. Exhibit 4 (on page 8) sets out performance audit proposals for the Commission and the Auditor General for the period 2017/18 and 2018/19. Appendix 3 provides further information on the proposed scope of these pieces of audit work.
32. The proposed programme includes a range of audits on behalf of the Accounts Commission and Auditor General. Exhibit 3 shows how the resources needed to deliver the proposed programme for 2017/18 reflect the balance of funding received by the Accounts Commission (53%) and Auditor General for Scotland (47%). Appendix 4 sets

out similar analysis for the proposed programme of audit work for the two years 2017/18 to 2018/19. The proposed resource allocation is broadly similar across these two years.

Exhibit 3

Work programme resource allocations 2017/18 (Commission and AGS)



Source: Audit Scotland

33. We believe that the proposals set out in Exhibit 4 provide a good balance:

- Across policy portfolio areas (i.e. they cover all three policy portfolios (PIE, JELL and HCC evenly).
- Between new (e.g. City Deals, Value-for-money of NPD projects) and follow-up audit work (e.g. Self Directed Support 2, Health and social care integration 2), and;
- Between small, medium and large pieces of audit work.

Exhibit 4

Proposed work programme options 2017/18 – 2018/19 (s = small, m = medium, l = large)

	2017/18	2018/19
BV	<ul style="list-style-type: none"> • Inverclyde • Renfrewshire • East Renfrewshire • West Lothian • Orkney • Clackmannanshire 	To be confirmed following the outcome of the 2017/18 shared risk assessment (SRA) process.

	2017/18	2018/19
SRA	National scrutiny plan and 32 Local Scrutiny Plans (Commission)	National scrutiny plan and 32 Local Scrutiny Plans (Commission)
Performance Audit	<p><u>Accounts Commission</u></p> <ul style="list-style-type: none"> • <i>Equal pay (I) (HCC)</i> <p><u>Joint Accounts Commission/AGS</u></p> <ul style="list-style-type: none"> • City Deals (s) (PIE) • <i>Early learning and childcare (m-I) (JELL)</i> • <i>Self Directed Support 2 (I) (HCC)</i> • Health and social care integration pt2 (m) (HCC) • Children's mental health (m) (HCC) <p><u>Auditor General for Scotland</u></p> <ul style="list-style-type: none"> • Devolution of fiscal powers (m) (PIE) • CAP Futures (follow up) (s) (PIE) • Forth Replacement Crossing (s) (PIE) • Ferries tendering (m) (PIE) • Scottish fire and rescue service (follow up) (JELL) • <i>NHS workforce (m) (HCC)</i> <p>* audits in italics are already in progress</p>	<p><u>Accounts Commission</u></p> <ul style="list-style-type: none"> • Arm's-Length External Organisations (ALEOs) (I) (HCC) • How Councils Work (subject TBC) <p><u>Joint Accounts Commission/AGS</u></p> <ul style="list-style-type: none"> • Community justice (s) (JELL) <p><u>Plus, three out of the following four options:</u></p> <ul style="list-style-type: none"> • Value-for-money of NPD projects (inc. PFI/PP) (m) (PIE) • Reforming public services through better asset management (m) (PIE) • Waste management (m) (PIE) • Housing (m) (HCC) <p><u>Auditor General for Scotland</u></p> <ul style="list-style-type: none"> • Devolution of fiscal powers (m) (PIE) • Broadband follow-up (s) (PIE) • Employability - transfer of new powers (s) (JELL)² • Digital progress in central government and health (m-250) (HCC) • NHS Workforce 2 (community-based workforce) (m) (HCC) • Higher education – widening access: progress review (m) (JELL) • Mental health - prisoner healthcare (m) (JELL)
	2017/18	2018/19
Overview reports	NHS in Scotland (AGS) Colleges (AGS) Local Government (x2) (Commission)	NHS in Scotland (AGS) Colleges (AGS) Local Government (x2) (Commission)
Statutory reports	S22 (x5) (AGS) Section 102 (x3) (Commission)	S22 (x5) (AGS) Section 102 (x3) (Commission)
HCW	It is proposed to use intelligence from the new BV audit approach to inform future HCW activity	TBC based on intelligence and risks arising from first 6 BV audits.

² It is not clear at this stage whether the scope of this audit will lead to a joint or AGS-only piece of work. If it is a joint audit then it is likely that the local government element of the audit may be relatively limited.

	2017/18	2018/19
Potential alternative outputs (illustrative)	<p><u>Accounts Commission</u></p> <ul style="list-style-type: none"> • Local government support for public transport (HCC) • Internal audit and scrutiny (HCC) • Indebtedness and borrowing (HCC) <p><u>Joint Accounts Commission/AGS</u></p> <ul style="list-style-type: none"> • Youth justice update (JELL) • Climate change and resilience planning (joint) (PIE) • National Performance Framework (PIE) • Briefing paper on public sector pensions in Scotland (PIE) • Educational attainment Round Table outputs (JELL) • Workforce planning (analysis of auditor returns) <p><u>Auditor General for Scotland</u></p> <ul style="list-style-type: none"> • Digital/ICT “lessons-learnt” briefing for PAC (PIE) • A non-expert’s introduction to agile (PIE) • How the budget works guide (PIE) • NFP support to Finance Committee (PIE) 	<p><u>Accounts Commission</u></p> <ul style="list-style-type: none"> • Public sector pensions – LGPS (PIE) • Community empowerment (HCC): <ul style="list-style-type: none"> ○ participation requests ○ participation in public decision making ○ participatory budgeting ○ asset transfer ○ service integration and prevention <p><u>Joint Accounts Commission/AGS</u></p> <ul style="list-style-type: none"> • Capital Investment – financing commitments • EU funding analysis – spending and commitments • NFP support to Finance Committee • Key issues for audit committees • Governance – analysis of auditor returns • Cyber security – key issues <p><u>Auditor General for Scotland</u></p> <ul style="list-style-type: none"> • Reducing variation in the NHS: data analysis and benchmarking (HCC)

Source: Audit Scotland

2017/18 proposals

2016/17 audits that will be reported in 2017/18

34. The nature of a five year rolling programme means that although we plan on an annual basis using financial years (1 April – 31 March) some pieces of audit work will span more than one financial year, i.e. work will begin in one financial year, with the audit report published in the following year. The Commission’s Performance Audit Committee receives update reports on the work programme at each meeting. The Auditor General receives regular update reports on the rolling programme throughout the year.
35. There are five pieces of audit work that were included in the rolling programme for 2016/17 that are scheduled for publication in 2017/18:
- Equal pay (Commission) (May 2017)
 - NHS Workforce (AGS) (June 2017)
 - Self-directed support 2 (joint AGS/Commission) (July 2017)
 - Ferries tendering (AGS) (Autumn 2017)
 - Early learning and childcare (joint AGS/Commission) (Autumn 2017).
36. This sequencing reflects the need to balance the allocation of audit resources throughout the year. Specific factors that have influenced the proposed timing of two of these pieces of audit work (equal pay and ferries tendering). For the equal pay audit we have invested more time in

the scoping, audit design and stakeholder management aspects of this complex and sensitive piece of work than was anticipated when the audit was originally included in the work programme last December. For the ferries tendering audit, publication in autumn 2017 reflects the impact of the proposed broader scope of this piece of audit work arising from stakeholder feedback during audit scoping.

Implications of the roll-out of the new Best Value audit approach on the performance audit and How Councils Work programme 2017/18

37. Meeting the Accounts Commission reporting expectations in relation to the first six Best Value audits during 2017/18 will require Audit Scotland to prioritise its resource allocation in the first half of 2017 towards Best Value audit work. We will also need to invest additional resources throughout 2017/18 to further develop the Best Value intelligence base across the remaining 26 councils to support effective delivery of the new BV audit approach.
38. For planning purposes we assume a budget of £200k for a large performance audit, £125k for a medium-sized performance audit and £90k for a small performance audit or How Councils Work (HCW) piece of work. The front-loading of Best Value audit work in the first half of 2017/18 is anticipated to require PABV staff resources equivalent to around £200k. The Best Value audit intelligence work will also equate to resources equivalent to around £400k.
39. This means that the resources that we are dedicating to implementation of the new approach to auditing Best Value during 2017/18 equate to three large performance audits, or one large performance audit, two medium-sized performance audits and a HCW piece of work.
40. As a consequence of the need to invest resources in this way, we are making the following proposals:

- **Internal audit and the role of scrutiny (How Councils Work)**

The Commission published its *How councils work - Roles and working relationships in councils: are you still getting it right?* in November 2016. This report will be used to support the induction and support of new and returning elected members following next May's local government elections. It will therefore maintain the public profile of the Commission's HCW programme during 2017.

We are proposing that the Commission uses the evidence and issues arising from the first six Best Value audits (Inverclyde, Renfrewshire, East Renfrewshire, West Lothian, Orkney and Clackmannanshire) to identify its priorities for future HCW reporting.

It is also proposed that the evidence gathered on current scrutiny and internal audit arrangements in those six councils be used to develop an alternative audit output on this topic.

- **Arm's-length External Organisations (ALEOs)**

The Commission's strategic interest in this area has already been partly addressed through the strengthened focus on ALEOs that has been embedded as part of new Best Value audit approach.³ We are therefore proposing that the ALEOs performance audit that was previously included in 2017/18 work programme be moved into 2018/19. This will mean that we can address this issue in a more integrated and 'joined-up' fashion in the context of the introduction of new Best Value audit approach and the further development of the Commission's Strategic Audit Priorities.

³ Following a review of the Code of Guidance for Funding External Bodies and Following the Public Pound ('the FtPP Code') at its meeting in August 2015, the Commission agreed that the future assessment of councils' compliance with the FtPP Code would be incorporated as part of the new integrated Best Value audit approach.

Other proposed changes to the original 2017/18 work programme (Auditor General)

41. The original 2017/18 included proposals for audit work on behalf of the Auditor General for Scotland on:

- Managing Fiscal Autonomy series
- CAP Futures follow-up
- Scottish Fire and Rescue
- Forth Replacement Crossing
- Digital in health
- Broadband follow-up
- Climate change and resilience planning
- Higher education follow-up.

42. We are proposing the following changes to the 2017/18 work programme on behalf of the Auditor General:

- **Broadband follow-up:** we published an alternative output on the progress that the Scottish Government and Highlands and Islands Enterprise (HIE) have made in implementing superfast broadband across Scotland in August 2016. That report highlighted that further work was still needed to fully meet the Scottish Government's policy commitments in this area. We now propose to report in this area again in 2018/19, by which time the existing contracts with BT will have completed and further progress should have been made towards the Scottish Government's target of 100 per cent superfast broadband coverage by 2021.

The 2018/19 Broadband follow-up audit needs to be seen alongside our commitment to brief the Public Audit and Post-Legislative Scrutiny Committee in early 2017 on key themes arising from all our earlier ICT-related audit work and the addition of a proposed audit in 2018/19 on digital progress in central government and health. The timing of this work will allow us to comment on the Scottish Government ICT new assurance process and compare and contrast arrangements in the Scottish Government digital directorate and ehealth.

- **Climate Change and Resilience Planning:** we are proposing that the PIE cluster develops an alternative output on this topic that will be similar to the recent Broadband follow-up audit output. We believe this will provide a proportionate response to maintaining a strategic audit interest in this key long-term policy area/global challenge and make good use of our ongoing monitoring of this area.
- **Higher Education:** further development of our audit work in the higher education sector remains a key strategic priority for our longer-term work programme. We have reconsidered the appropriateness of undertaking further HE audit work in 2017/18 having only recently published the *Audit of higher education in Scottish universities* in July 2016. We propose that we look at widening access to higher education in 2018/19. This will enable us to assess progress towards the Scottish Government's widening access targets, the first of which are due in 2021.

2018/19 work programme proposals

43. The assumption underpinning our work programme proposals are that we have the capacity to deliver the following pieces of audit work in 2018/19 (Exhibit 5):

Exhibit 5

The proposed shape of the 2018/19 work programme

Stakeholder	Audit products
Auditor General	<ul style="list-style-type: none"> • six performance audits • five S22 reports • one NHS overview report • one colleges overview report
Accounts Commission only	<ul style="list-style-type: none"> • six Best Value audits • two overview reports • one performance audit • one How Councils work audit output • three S102 reports
Joint AGS/Commission performance audit work	<ul style="list-style-type: none"> • four performance audits

44. We have put forward five potential joint performance audits for consideration by the Commission and Auditor General for Scotland in 2018/19. These are:

- *Value for money of NPD projects (inc. PFI/PPP) (m) (PIE)*

The value-for-money of the use of innovative financing models such as NPD has not yet been subject to independent external evaluation. This audit proposal would use a case study approach to assess whether NPD has achieved its aims of curtailing excessive private sector profits. It would also assess the impact of the ONS decision to classify the Aberdeen Western Peripheral Route as being subject to public sector control. The audit would also compare the use of NPD with previous PFI/PPP arrangements.

- *Reforming public services through better asset management (m) (PIE)*

This audit would focus on how well public bodies are working together to transform local public service delivery through improved use of assets (physical and human). It would consider how well public partners are using public assets (including the skills and capacity of local communities) to improve local service outcomes. It would provide an opportunity to assess the early impact of the Community Asset transfer element of the Community Empowerment Act.

- *Waste management (m) (PIE)*

This audit would assess how well Scotland is performing in meeting its current and future waste management targets. It would follow up on previous reports on *Sustainable waste management* in 2007 and the 2010 *Protecting and improving Scotland's environment* report.

- *Housing (m) (HCC)*

This audit would focus on issues of housing supply and progress that has been made in delivering the Scottish Government housing action plan. It would follow up on the issues identified in the 2013 *Housing in Scotland* report in the context of the changed policy

context and ambitious improvement targets that the Scottish Government has set in this area, in particular in relation to increasing the supply of affordable homes.

- *Community justice (s) (JELL).*

Community justice reform is a key component in an attempt to shift the overall balance between custodial and community sentences. The 2012 Reducing Reoffending report was a key driver in highlighting the need for reform of the community justice system. The Scottish Government has established a model that spans central government and local government and places responsibility for delivery on community justice partners (many of whom are also community planning partners). Our proposed audit model would be in two stages: the first stage would evaluate the progress of establishing the new community justice arrangements in the short-term; and, the second stage would involve a longer term examination of the effectiveness of the new system in delivering improved outcomes across the community justice system.

45. The timing of the community justice audit is important in terms of its link with the Scottish Government public service reform timetable. That being the case, we believe that if this piece of work is not undertaken in 2018/19 then its relevance and impact will be diminished.
46. We believe that there is more flexibility in relation to the timing of the other proposed pieces of joint performance audit work. We are therefore asking the Commission and the Auditor General to select three of the following audits for inclusion in the 2018/19 work programme:
 - Value for money of NPD projects (inc. PFI/PP) (m) (PIE)
 - Reforming public services through better asset management (m) (PIE)
 - Waste management (m) (PIE)
 - Housing (m) (HCC).

Engagement with external stakeholders

47. A key objective of our new approach to programme development has been becoming more externally focused and engaging with a wider and more diverse range of stakeholders and interest groups. This is to ensure that our audit work focuses on issues of interest and concern to the people of Scotland. Our work in this area complements the Commission's engagement strategy and plan.
48. During 2016, we have continued to progress this agenda through a wide range of external engagement activity involving Scottish and UK-wide policy experts, academics, and direct work with service users, such as:
 - Engagement with Young Scot to deliver a youth engagement pilot called 'CheckSee' which helped Audit Scotland staff identify issues of importance to young people around education, skills and employability. It also helped us understand how best to engage further with young people in developing, carrying out and reporting audits.
 - A housing and wellbeing roundtable discussion with a range of housing, health and social care stakeholders to consider how housing services need to adapt and transform to become sustainable in the face of unprecedented demographic change.
 - A recent round table on Community Engagement is helping inform our response to the Community Empowerment Act and also to our own ambitions on user involvement. We plan to host a seminar in February 2017 on Community Engagement with examples of good practice showcased by round table participants. A further round table with Community Planning Partnership managers, planned for December 2016, will also support this work.

- A cross-public sector roundtable event to discuss how improved public sector estate management can support the transformation of public services. The event highlighted examples of good practice in this area, as well as identifying barriers to change which need to be overcome to deliver the Christie ambition of integrated public services which are built around people and communities.
 - The establishment of an Equalities and Human Rights Advisory Group (EHRAG) for Audit Scotland, to identify potential equality-related audit topics and to provide external challenge on the extent to which our work programme proposals adequately reflect equality-related matters.
49. We will continue to further develop these approaches in 2017/18 through an ongoing programme of external engagement events. These will be used to both inform our monitoring of policy and performance across the public sector and to support the development of alternative audit outputs.

Parliamentary engagement

50. We are implementing a more strategic approach to communication and engagement with the Scottish Parliament. The new arrangements are designed to ensure that the work programmes of the Accounts Commission and Auditor General are informed by, and avoid duplicating the work of, parliamentary committees. There is also an important impact and ‘*making a difference*’ dimension to this work, through its focus on generating the greatest possible impact from all of our audit work and by ensuring that it is used to support effective parliamentary scrutiny and improved public services.
51. The new arrangements also reflect the commitment in the Commission’s engagement strategy and engagement plan 2016/17 to share the Commission’s reports with Parliamentary committees; and to ensure that members of the Parliament are aware of the Commission’s work in helping them fulfil their responsibilities. The approach we are adopting to this work reflects the different relationships that the Auditor General and the Commission have with the Parliament. In particular, the distinction between the Commission’s role as local government spending watchdog and the Parliament’s interest in the outcomes achieved from Scottish Government funding of local government services.
52. The initial focus of our activity has been on establishing formal relationships with subject committee clerking teams; and raising awareness of the role of Audit Scotland, the Accounts Commission and the Auditor General amongst key Committee Conveners, Ministers and Committee members.
53. Building on those links and relationships, we have been briefing subject committees on relevant audit reports e.g. Economy, Jobs and Fair work (*Supporting economic growth*), Health and Sport (*NHS overview* and *Changing models of health and social care*). We have also been piloting briefings for parliamentary staff on significant audit reports, including the Accounts Commission’s Social Work in Scotland report.
54. The most recent phase of our parliamentary engagement has focused on taking stock of the proposed content of committee work programmes when refreshing the work programme. Appendix 5 sets out the links between the work programmes of subject committees and our five-year rolling work programme. It highlights many areas of complementary interest and areas where the work of committees might usefully inform future audit work.
55. We will continue to review the work of parliamentary committees as part of our cluster/portfolio work. The impact of our ongoing parliamentary engagement activity will be routinely reported to the Auditor General and the Commission’s performance audit committee as part of future cluster briefings.

Engagement with scrutiny partners

56. The Accounts Commission has an important national leadership role in relation to scrutiny co-ordination and scrutiny improvement through its chairmanship of the Strategic Scrutiny Group (SSG) and its oversight of the local government shared risk assessment (SRA) process.
57. The SSG is committed to supporting more joined-up scrutiny approaches where efficiencies can be gained by different audit, inspection and regulatory bodies working together to address significant issues of shared interest. The Commission will therefore want to discuss with SSG partners what opportunities, if any, might exist to undertake collaborative work when taking forward the rolling work programme.
58. Audit Scotland liaises closely with our scrutiny partners (Care Inspectorate, Education Scotland, Healthcare Improvement Scotland, HMI Constabulary, HM Fire Services Inspectorate, HMI Prisons, HMI Prosecution, and Scottish Housing Regulator) as part of our routine programme development activity. The proposed work programme includes some topics in which inspectorates have a direct interest (health and social care integration, early learning and childcare, self-directed support, educational attainment).
59. Where scrutiny partners have an interest in a piece of performance audit work, we will work with them to ensure that the audit work is delivered in an efficient and 'joined-up' manner. In general, this will involve inviting appropriate scrutiny partners to participate in the advisory group for the audit. We will also draw on any intelligence that they have on the subject in question to avoid duplication of effort. Where appropriate, scrutiny partners may be invited to participate in audit work with us. This is already happening with the ongoing self-directed support audit where Care Inspectorate link inspectors are involved in some joint fieldwork visits with the audit team. Our engagement with our scrutiny partners is undertaken without prejudice to our audit independence.
60. The Sharing Intelligence for Health and Care Group was established to bring together a number of national bodies for the purpose of sharing and considering the intelligence we hold about the quality of health and social care. It includes representation from Audit Scotland, Care Inspectorate, Healthcare Improvement Scotland, Mental Welfare Commission for Scotland, NHS Education Scotland, and Public Health & Intelligence. The group provides a mechanism to share and consider collective data and information about NHS boards, have an active dialogue about the quality of health and social care, and inform our respective work programmes.
61. Justice is a policy area which includes a wide range of scrutiny bodies. As part of the process of developing the work programme refresh proposals Audit Scotland convened a seminar of justice scrutiny bodies in November 2016 to discuss:
 - strategic issues facing the public sector
 - strategic issues specific to the justice sector, and
 - future audit work that is planned for this sector.





Equality impact assessment of the work programme refresh proposals

62. We are undertaking an Equality Impact Assessment (EIA) on the refresh proposals. As part of that process we sought feedback on the proposals from a range of equality and human rights-related organisations. These included: the Scottish Equality Network, Enable Scotland, Stonewall Scotland, the Council of Ethnic Minority Voluntary Sector Organisations (CEMVO), Children 1st, the Scottish Inter-faith Council, Close the Gap, and Age Scotland. The Equalities and Human Rights Advisory Group will provide additional feedback on EIA and other equalities issues through the year.

63. In line with Audit Scotland's arrangements, the EIA will be considered by Audit Scotland's corporate Diversity and Equality Steering Group (DESG). Once approved, the EIA will be published on Audit Scotland's website.

Fraser McKinlay
Director of Performance Audit and Best Value
30 November 2016

Appendix 1: Work Programme links with Strategic Audit Priorities, Audit Dimensions and Best Value audits

Audit dimension	Statutory BV Characteristics	BV Audit Programmes	Accounts Commission Strategic Audit Priorities
 Value for money	<p>Responsiveness and consultation</p> <p>A contribution to sustainable development</p> <p>Accountability</p> <p>Use of review and options appraisal</p> <p>Competitiveness, trading and the discharge of authority functions</p>	<p>Performance and outcomes</p> <p>Improvement</p>	<p>How effectively councils are evaluating and implementing options for significant changes in delivering services.</p>
 Governance and Transparency	<p>Commitment and leadership</p> <p>Equal opportunities arrangements</p> <p>Commitment and leadership</p> <p>Joint Working</p>	<p>Leadership, governance and scrutiny</p> <p>Equal opportunities</p> <p>Partnership working and empowering communities</p>	<p>The clarity of council priorities and quality of long-term planning to achieve these.</p> <p>The quality of council public performance reporting to help citizens gauge improvement.</p> <p>How effectively councils are ensuring members and officers have the right knowledge, skills and time to lead and manage delivery of the council priorities.</p> <p>How effectively councils are involving citizens in decisions about service.</p>
 Financial sustainability	<p>Sound governance at a strategic, financial and operational level</p> <p>Sound management of resources</p>	<p>Financial planning</p>	<p>The clarity of council priorities and quality of long-term plan to achieve these.</p> <p>How effectively councils are ensuring members and officers have the right knowledge, skills and time to lead and manage delivery of the council priorities.</p>
 Financial management	<p>Sound governance at a strategic, financial and operational level</p> <p>Sound management of resources</p>	<p>Financial governance and resource management</p>	

Performance audits and overview reports

2017/18	Accounts Commission Strategic Audit Priorities					Audit Scotland Audit Dimensions			
	Priorities and long-term planning	Member and officer skills and knowledge	Option appraisal for significant service change	Citizen involvement in decision-making	Public performance reporting	Value-for-Money (VFM)	Governance and Transparency	Financial sustainability	Financial management
Performance audits									
Accounts Commission									
Equal Pay (I) (HCC)									
Joint Accounts Commission/AGS									
City Deals (s) (PIE)									
Early learning and childcare (m) (JELL)									
SDS 2 (I) (HCC)									
Health and social care integration pt2 (m) (HCC)									
Children's mental health (m) (HCC)									
Auditor General for Scotland									
Devolution of fiscal powers (m) (PIE)	n/a	n/a	n/a	n/a	n/a				
CAP Futures (follow up) (vs) (PIE)	n/a	n/a	n/a	n/a	n/a				
Forth Replacement Crossing (s) (PIE)	n/a	n/a	n/a	n/a	n/a				
Support to ferry services (m) (PIE)	n/a	n/a	n/a	n/a	n/a				
Scottish fire and rescue service (follow up) (s) (JELL)	n/a	n/a	n/a	n/a	n/a				
NHS Workforce (m) (HCC)	n/a	n/a	n/a	n/a	n/a				
Overview reports									
Local government	*	*	*	*	*				
NHS	n/a	n/a	n/a	n/a	n/a				
Colleges	n/a	n/a	n/a	n/a	n/a				
2018/19									
	Accounts Commission Strategic Audit Priorities					Audit Scotland Audit Dimensions			
	Priorities and long-term planning	Member and officer skills and knowledge	Option appraisal for significant service change	Citizen involvement in decision-making	Public performance reporting	Value-for-Money (VFM)	Governance and Transparency	Financial sustainability	Financial management
Performance audits									
Accounts Commission									
ALEOs (I) (HCC)									
Joint Accounts Commission/AGS									
Value for money of NPD projects (inc. PFI/PP) (m) (PIE)									
Reforming public services through better asset management (m) (PIE), or									
Waste management (m) (PIE)									
Employability - transfer of new powers (s) (JELL)									
Community justice (s) (JELL)									
Housing (m) (HCC)									
Auditor General for Scotland									
Devolution of fiscal powers (m) (PIE)	n/a	n/a	n/a	n/a	n/a				
Digital progress in central government and health (m-250) (HCC)	n/a	n/a	n/a	n/a	n/a				
NHS Workforce 2 (GPs) (m) (HCC)	n/a	n/a	n/a	n/a	n/a				
Broadband follow-up (s) (PIE)	n/a	n/a	n/a	n/a	n/a				
Higher education – widening access: progress review (m) (JELL)	n/a	n/a	n/a	n/a	n/a				
Mental health - prisoner healthcare (m) (JELL)	n/a	n/a	n/a	n/a	n/a				
Overview reports									
Local government									
NHS	n/a	n/a	n/a	n/a	n/a				
Colleges	n/a	n/a	n/a	n/a	n/a				
Legend									
	Key area of focus								
	Important audit theme								
	Limited or no audit coverage								

Appendix 2: Five-year rolling work programme 2017/18 to 2021/22

	2017/18	2018/19	2019/20	2020/21	2021/22
Audits of Best Value <ul style="list-style-type: none"> • Leadership and scrutiny • Skills and capacity • Financial outlook • Community engagement • Options appraisal • Service transformation • Public performance reporting 	6 BVARs <ul style="list-style-type: none"> • Inverclyde Council • Renfrewshire Council • East Renfrewshire Council • West Lothian Council • Orkney • Clackmannanshire 	6 BVARs To be confirmed following the 2017/18 SRA process	7 BVARs To be confirmed following the 2018/19 SRA process	6 BVARs To be confirmed following the 2019/20 SRA process	6 BVARs To be confirmed following 2020/21 SRA process
How Councils Work	<ul style="list-style-type: none"> • To be confirmed 	<ul style="list-style-type: none"> • To be confirmed 	<ul style="list-style-type: none"> • To be confirmed 	<ul style="list-style-type: none"> • To be confirmed 	<ul style="list-style-type: none"> • To be confirmed
Overview reporting	<ul style="list-style-type: none"> • Local government financial overview • Local government overview • NHS in Scotland • Scotland's colleges (narrower focus) 	<ul style="list-style-type: none"> • Local government financial overview • Local government overview • NHS in Scotland • Scotland's colleges 	<ul style="list-style-type: none"> • Local government financial overview • Local government overview • NHS in Scotland • Scotland's colleges 	<ul style="list-style-type: none"> • Local government financial overview • Local government overview • NHS in Scotland • Scotland's colleges 	<ul style="list-style-type: none"> • Local government financial overview • Local government overview • NHS in Scotland • Scotland's colleges

	2017/18	2018/19	2019/20	2020/21	2021/22
Performance audits					
Devolution	<ul style="list-style-type: none"> Managing continued devolution of fiscal powers 	<ul style="list-style-type: none"> Managing continued devolution of fiscal powers Employability – transfer of powers 	<ul style="list-style-type: none"> Managing continued devolution of fiscal powers 	<ul style="list-style-type: none"> Managing continued devolution of fiscal powers 	<ul style="list-style-type: none"> Managing continued devolution of fiscal powers
Economy	<ul style="list-style-type: none"> Innovative Financing - City Deals Forth replacement crossing Ferries tendering 	<ul style="list-style-type: none"> Value for money of NPD projects * OR	<ul style="list-style-type: none"> Supporting economic growth – role of local authorities A9 dualling 	<ul style="list-style-type: none"> Innovative Financing - City Deals (2) Supporting economic growth: impact of enterprise and skills review 	<ul style="list-style-type: none"> Development of Scotland's new agriculture and fishing policy post Brexit
Policy	<ul style="list-style-type: none"> Early learning and childcare 	<ul style="list-style-type: none"> Reforming public services through better asset management* OR Waste management* OR <ul style="list-style-type: none"> Housing * 	<ul style="list-style-type: none"> Early learning and childcare (2) Flood risk management Skills planning and investment School educational attainment 	<ul style="list-style-type: none"> Housing Youth justice 	<ul style="list-style-type: none"> Social security Early learning and childcare (3) Criminal justice
Public service reform	<ul style="list-style-type: none"> Health & social care integration: Part 2 	<ul style="list-style-type: none"> ALEOS Community Justice 1 		<ul style="list-style-type: none"> Health & social care integration 3 	
Performance and outcomes	<ul style="list-style-type: none"> Children's mental health 	<ul style="list-style-type: none"> Higher education – widening access: progress review Prisoner healthcare 	<ul style="list-style-type: none"> Higher education (finances) Prisoner healthcare 	<ul style="list-style-type: none"> Higher education Improving outcomes for looked after children Impact of investment in the school estate 	<ul style="list-style-type: none"> Mental health 3

	2017/18	2018/19	2019/20	2020/21	2021/22
Skills and capacity	<ul style="list-style-type: none"> NHS workforce 	<ul style="list-style-type: none"> NHS workforce (2) 		<ul style="list-style-type: none"> Workforce planning for skills post Brexit NHS Workforce (3) 	
Digital		<ul style="list-style-type: none"> Digital progress in central government and health 	<ul style="list-style-type: none"> Digital progress in local government 	<ul style="list-style-type: none"> Digital services (learning or justice) 	<ul style="list-style-type: none"> Progress against digital strategy – 5 years on
Leadership and scrutiny		<ul style="list-style-type: none"> Community empowerment 			
Performance Audit follow up	<ul style="list-style-type: none"> CAP Futures programme Scottish fire and rescue services Self Directed Support 2 	<ul style="list-style-type: none"> Broadband 	<ul style="list-style-type: none"> tbc 	<ul style="list-style-type: none"> Commonwealth Games legacy – six years on 	<ul style="list-style-type: none"> tbc
Impact reports <i>Note: the sequencing of impact report publication may be subject to change in response to any significant policy developments that impact on audit recommendations.</i>	<ul style="list-style-type: none"> CAP futures Roads Maintenance Social work in Scotland 	<ul style="list-style-type: none"> The role of Scotland's Enterprise Agencies Equal pay Early learning and childcare City Deals Children's mental health NHS workforce Ferries tendering Forth replacement crossing Scottish fire and rescue (f/up) 	<ul style="list-style-type: none"> ALEOs Community Justice Employability – transfer of new powers HE – widening access Digital in central government and health VFM of NPD projects * Reforming public services through better Asset Management * Housing * Waste Management * <p>* The AGS and Commission have been asked to select three out of these four audit proposals</p>	<ul style="list-style-type: none"> Community empowerment NHS workforce 2 Prisoner healthcare Supporting economic growth – role of local authorities A9 duelling Flood risk management Skills planning and investment School education attainment HE finances 	<ul style="list-style-type: none"> Innovative Financing – City Deals (2) Supporting economic growth: impact of enterprise and skills review Housing Youth justice Higher Education Improving outcomes for looked after children Impact of investment in the school estate

	2017/18	2018/19	2019/20	2020/21	2021/22
<p>Potential alternative outputs</p> <p><i>Note: this long list of potential alternative audit outputs will be subject to a prioritisation and refinement process as part of ongoing programme development work.</i></p>	<ul style="list-style-type: none"> • Educational attainment round table outputs • Youth justice update • Climate change and resilience planning • National Performance Framework • Public sector pensions in Scotland (briefing) • Digital / ICT "lessons learnt" briefing for PAPLS • Dummy's guide to Agile • How the budget works • Workforce planning (analysis of auditor returns) • Local government support for public transport • Internal audit and scrutiny • Indebtedness and borrowing 	<ul style="list-style-type: none"> • Educational attainment: analysis of Scottish Government investment in addressing the attainment gap. • Public sector pensions (LGPS) • Community empowerment: Participation requests / Asset transfer / Service integration and prevention • Capital investment: financing commitments • EU funding analysis – spending and commitments • Key issues for audit committees • Governance (analysis of auditor returns) • Cyber security (key issues) • Realistic medicine – data analysis and benchmarking 	<ul style="list-style-type: none"> • Digital roundtable • Public sector pensions in Scotland (central government) 	<ul style="list-style-type: none"> • TBC 	<ul style="list-style-type: none"> • TBC

Appendix 3: Summary information on the proposed audits in the 2017/18 to 2018/19 work programme options

2017/18

Accounts Commission	Joint audit	Auditor General for Scotland
<p>Equal Pay</p> <p><i>Equal pay is a substantial issue across local government in Scotland. At March 2015, Scottish councils had paid £605 million to employees in equal pay compensation and estimated that about 30,000 equal pay cases remained outstanding. This audit will focus on the implementation of the ‘Single Status Agreement’ in Scottish councils, including: scrutinising how councils have addressed equal pay claims; assessing their approaches to on-going equal pay issues; and considering how lessons learned can be applied to other challenges facing local government and the wider public sector.</i></p>	<p>City Deals</p> <p><i>This audit will report on the development of City Deals to date, especially in relation to the establishment of governance and project management arrangements. A further City Deals audit is proposed for 2020/21 by which time some of the projects associated with each City Deal should be underway.</i></p>	<p>CAP Futures follow up</p> <p><i>We published an update report on the Scottish Government’s CAP Futures programme in May 2016. It is anticipated that this programme will come to an end in March 2017 once the £178 million budget has been utilised. We plan to review what action the Scottish Government took against our recommendations; what has been delivered for the money; and, what has still to be delivered and how this will be funded. We will also be able to provide an update on how successfully the 2016 payments to farmers were delivered, and how the 2017 application process went. This work will complement the work of our EAFA audit team and fit in with their local reporting timeline.</i></p>
	<p>Children’s mental health</p> <p><i>There was strong feedback in support of undertaking audit on children’s mental health services we consulted stakeholders on the mental health briefing that was prepared for the AGS and the Commission. Research suggests early intervention has positive impact on life chances but CAMHS performance poor across Scotland and lack of monitoring of spend, outcomes, and transitions into adult mental health care. These areas would all fall within the scope of the proposed audit work.</i></p>	<p>Devolution of fiscal powers</p> <p><i>Continues series of reports looking at the devolution of New Financial Powers.</i></p>

Accounts Commission	Joint audit	Auditor General for Scotland
	<p>Early learning and childcare</p> <p><i>The overall aim of the initial audit is to answer the question: How effectively are the Scottish Government and councils working together to improve outcomes for children and support parents by expanding access to funded early learning and childcare? We anticipate undertaking further audit work to assess the longer-term implementation and impact of this important policy as the funded hours increase further.</i></p>	<p>NHS workforce</p> <p><i>The NHS workforce audit will be split into two parts. This first audit will focus on the clinical workforce in acute hospitals, and will assess how well the clinical workforce in acute hospitals is managed to meet the demands of the Scottish population for acute services. A subsequent, future audit will focus on the preparedness of the general practice and community-based workforce to meet increased demand for local care provision.</i></p>
	<p>Health and social care integration part 2</p> <p><i>The audit will follow up the emerging risks highlighted in the 2015 report, including: governance arrangements, budget-setting, strategic planning, engagement with the voluntary sector and carers, and the development of localities. Where possible, it will also examine the evidence for significant shifts in service delivery, from acute to community-based and preventative services.</i></p>	<p>Ferries tendering</p> <p><i>This audit will provide an overview of the VFM of ferry services in Scotland, with a particular focus on the recent Clyde and Hebrides Ferry Services tendering exercise.</i></p>
	<p>Self Directed Support 2</p> <p><i>Our previous audit (June 2014), examined councils' early progress in implementing the ten-year strategy and their readiness for the Act, which came into force in April 2014. This follow-up audit aims to establish whether councils, health and social care integration authorities and the Scottish Government are making sufficient progress in implementing SDS to achieve the aims of the SDS strategy.</i></p>	<p>Scottish Fire and Rescue Service</p> <p><i>This audit would follow-up on the recommendations made in the 2015 report and evaluate the SFRS' longer term progress in reforming how it delivers its services and contributes to the Scottish Government's community safety agenda.</i></p>
		<p>Forth Replacement Crossing</p> <p><i>This audit will report on the management of the FRC project, with a particular focus on delivery to cost and budget.</i></p>

Accounts Commission	Joint audits	Auditor General for Scotland
<p>ALEOs</p> <p><i>We will build on previous audit work to examine how ALEOs are being used to deliver services more effectively and efficiently. This will include looking at the accountability arrangements in place to safeguard public money.</i></p>	<p>Community justice</p> <p><i>Responsibility for community justice will be transferred from CJAs to CPPs in April 2017, together with the establishment of Community Justice Scotland. We propose a two-phase approach, with phase 1 assessing the immediate transfer of responsibilities and the establishment of CJS. Phase 2 will examine the longer-term impact of the reform.</i></p>	<p>Devolution of fiscal powers</p> <p><i>Continues series of reports looking at the devolution of New Financial Powers.</i></p>
<p>HCW</p> <p><i>We are proposing that the Commission puts its programme of How Councils Work reports on hold until the first 6 early BV audits (Inverclyde, Renfrewshire, East Renfrewshire, West Lothian, Orkney and Clackmannanshire) have reported and that the Commission uses the evidence and issues arising from those audits to identify its priorities for future HCW reporting.</i></p>	<p>Housing</p> <p><i>The scope of this work is still to be decided, but is likely to focus on issues of housing supply and progress that has been made in delivering the Scottish Government housing action plan. It would follow up on the issues identified in the 2013 Housing in Scotland report in the context of the changed policy context and ambitious improvement targets that the Scottish Government has set in this area, in particular to increasing the supply of affordable homes.</i></p>	<p>Digital progress in central government and health</p> <p><i>This audit will look at the progress that the Scottish Government making in delivering on its digital ambitions. This will include progress against the digital strategy, the impact of new assurance arrangements, and comparing the approach and progress in the digital directorate in central government and the e-health directorate.</i></p>
	<p>Reforming public services through better asset management</p> <p><i>This audit would focus on how well public bodies are working together to transform local public service delivery through improved use of assets (physical and human). It would consider how well public partners are using public assets (including the skills and capacity of local communities) to improve local service outcomes. It would provide an opportunity to assess the early impact of the Community Asset transfer element of the Community Empowerment Act.</i></p>	<p>Higher education – widening access: progress review</p> <p><i>Our first report on higher education was published in 2016 and there were a number of areas that could warrant further work. These include participation (more detailed examination of student body, courses of study and outcomes) and widening access (first two targets are due to be delivered in 2020/21 and we could review progress). There are also likely to be significant implications for HE from Brexit.</i></p>

Accounts Commission	Joint audits	Auditor General for Scotland
	<p>Value for money of NPD projects</p> <p><i>Will use a case study approach to assess whether NPD has achieved its aim of curbing excessive private sector profits, and assess the impact of the ONS decision to classify the Aberdeen West Peripheral Route as being subject to public sector control.</i></p>	<p>Mental health – prisoner healthcare</p> <p><i>The majority of prisoners have mental health issues. Healthcare in prisons is the responsibility of the NHS and demand from the prison population is rising. There are concerns over the quality of healthcare being provided and the outcomes for prisoners.</i></p>
	<p>Employability – transfer of new powers¹</p> <p><i>The Scottish Government will assume responsibility for elements of employability support from April 2017, with the remainder transferring in 2018. We could review progress with the transitional arrangements in 2017 and preparedness for/early progress with full transfer.</i></p>	<p>NHS workforce 2</p> <p><i>We have reported on significant risks in relation to NHS workforce. We will carry out more detailed audit work on the community-based care workforce and in light of changing demographics of the workforce, role and NHS challenges.</i></p>
	<p>Waste management</p> <p><i>The overall aim of the audit will be to assess how well Scotland is performing in meeting its current and future waste management targets. It will follow up previous reports on waste management in 2007 and the 2010 environment overview report.</i></p>	
	<p>Broadband follow/up</p> <p><i>Will provide an update on what has been achieved from the public sector's two contracts with BT (due to complete at the end of 2017) as well as comment on progress towards the Scottish Government's vision of world-class infrastructure by 2020 and 100 per cent superfast broadband coverage by 2021.</i></p>	

¹ It is not clear at this stage whether the scope of this audit will lead to a joint or AGS-only piece of work. If it is a joint audit then it is likely that the local government element of the audit may be relatively limited.

Appendix 4: The proposed balance of resources in the work programme 2017/18 – 2018/19

2017/18

Auditor General for Scotland	Size	Indicative budget (£)
NHS in Scotland	O/V	125
Scotland's Colleges	O/V	125
Devolution of fiscal powers	LARGE PA	280
CAP Futures follow up	SMALL PA	60
Ferries Tendering	MEDIUM PA	125
Forth replacement crossing	MEDIUM PA	125
NHS Workforce (full budget £125k) *	MEDIUM PA	40
Scottish Fire & Rescue follow up	SMALL PA	125
Statutory reports	x 5	90
Investigatory work		100
TOTAL		1195

Accounts Commission	Size	Indicative budget (£)
6 Best Value Assurance Reports	BVAR	300
SRA (data analysis, attendance at Round Tables, drafting local scrutiny plans)	SRA	100
Other local government audit and intelligence (£12.5k per council)	Various	400
Local Government in Scotland	O/V	125
Local Government financial	O/V	50
Equal Pay (full budget £160k) *	PA	40
Statutory reports	x 3	75
Investigatory work		100
TOTAL		1190

Joint work (Assuming 40/60 split, AGS/Commission)	Indicative budget (£)	AGS	AC	
City Deals	SMALL PA MEDIUM / LARGE	90	36	54
Early learning and childcare (full budget £125k) *	PA MEDIUM / LARGE	90	36	54
Self Directed Support 2 (full budget £170k) *	PA	60	24	36
Health & social care integration 2	MEDIUM PA	125	50	75
Children's mental health	MEDIUM PA	125	50	75
TOTAL		490	196	294
Overall total		2875	1391	1484
Percentage			48%	52%

* The cost figures for these four audits, which are already in train, have been adjusted to reflect the profiling of the audit work and the planned publication dates for the four reports (Equal Pay – May 2017; NHS workforce – June 2017; Self-Directed support – July 2017; Early Learning and Childcare – Autumn 2017)

2018/19

Auditor General for Scotland	Size	Indicative budget (£)
NHS in Scotland	O/V	125
Scotland's Colleges	O/V	125
Devolution of fiscal powers	LARGE PA	280
Digital progress in CG and health	MEDIUM PA	125
NHS Workforce 2 (community-based workforce)	MEDIUM PA	125
Employability ⁵	SMALL PA	90
Higher Education	MEDIUM PA	125
Prisoner healthcare	SMALL PA	60
Broadband follow up	SMALL PA	60
Statutory reports	x5	90
Investigatory work		100
TOTAL		1355

Accounts Commission	Size	Indicative budget (£)
6-7 Best Value Assurance Reports	BVAR	300
SRA (data analysis, attendance at Round Tables, drafting local scrutiny plans)	SRA	100
Other local government audit and intelligence (£9.5k per council)	Various	304
Local Government in Scotland	O/V	125
Local Government financial	O/V	50
ALEOs	LARGE PA	200
How Councils Work (Informed by BVARs)	HCW	90
Statutory reports	x3	75
Investigatory work		100
TOTAL		1244

Joint work (Assuming 40/60 split)		Indicative budget (£)	AGS	AC
Value for money of NPD projects, <u>or</u>	MEDIUM PA	125	50	75
Asset management , <u>or</u>	MEDIUM PA	125	50	75
waste management				
Community justice	SMALL PA	90	36	54
Housing	MEDIUM PA	125	50	75
TOTAL		465	186	279
Overall total		3044	1521	1523
Percentage			50%	50%

Source: Audit Scotland

⁵ As highlighted previously, it is possible that this audit may not end up being a joint audit. If it is a joint audit there is likely to be a relatively limited focus on local government issues.

Appendix 5: Parliamentary subject committees' work programmes: summary

Committee	Work programme themes	Links to rolling work programme 2017/18 – 2021/22
Culture, Tourism, Europe and External Relations	<p>Implications of EU Ref (including budget impact)</p> <p>BBC - charter, annual report and accounts</p> <p>Tourism round table</p> <p>Budget scrutiny - EU funding, and transformational social impact of culture</p>	<p>Planned alternative output looking at European funding, and the associated risks. This will pull together information prepared by auditors as required in the 2016/17 planning guidance.</p> <p>Ongoing consideration of the impact of the EU referendum result in all cluster work.</p>
Economy, Jobs and Fair Work	<p>Implications of EU Ref - exports, inward investment, employment</p> <p>Enterprise and skills review</p> <p>Budget scrutiny - focus on 'investment'</p> <p>Climate change - RPP 3</p> <p>Gender pay gap</p>	<p>Ongoing monitoring of the outcome and recommendations of the enterprise and skills review as part of cluster work, and relevant annual audits.</p> <p>Performance audit planned for 2020/21 to review the impact of the review.</p> <p>Proposed alternative output in 2017/18 to provide an overview of climate change activity, with a further audit in 2019/20 on flood risk management.</p>
Educations and Skills	<p>Budget scrutiny - Education and skills bodies</p> <p>Tracking the success or otherwise of colleges, particularly the impact of mergers</p> <p>Local authority capacity to deliver Scottish government priorities, specifically in relation to school education, additional support needs and funded childcare (one-off session)</p> <p>F/U of Cabinet Secretary's commitment to undertake further scrutiny on additional support needs</p> <p>Scottish Child Abuse Inquiry</p> <p><i>The Committee has not yet agreed the rest of its work programme (expected to be agreed by mid November)</i></p>	<p>In October, we made two written submissions to inform the committee's budget scrutiny of education and skills bodies.</p> <p>The first submission relating specifically to the Scottish Funding Council (SFC) as we have done a significant amount of audit work relating to that body only. We also made a separate submission relating to Skills Development Scotland, Scottish Qualifications Authority and Education Scotland that drew on their 2015/16 annual audit reports (AARs). We will continue to monitor progress of the review as part of cluster work, and relevant annual audits.</p> <p>Ongoing monitoring of performance of colleges, and reporting through annual overview or other output, as appropriate.</p> <p>Performance audit on early learning and childcare due to report in 2017/18.</p> <p>Round table and alternative output on educational attainment, ongoing monitoring and performance audit in 2019/20.</p> <p>Briefing paper and potential alternative output supporting positive destinations for children with additional support needs and looked after children.</p>

Committee	Work programme themes	Links to rolling work programme 2017/18 – 2021/22
Environment, Climate Change and Land Reform	<p>RPP3 (climate change plan)</p> <p>Budget scrutiny (focus on relevant public bodies)</p> <p>Scottish land commissioners</p> <p>Wildlife crime</p> <p>Devolution of crown estate</p> <p>Impact of EU ref - impact on climate change priorities</p>	<p>Proposed alternative output in 2017/18 to provide an overview of climate change activity, with a further audit in 2019/20 on flood risk management.</p> <p>Planned briefing paper in 2017/18 setting out what is the crown estate and the key issues to be considered.</p>
Equalities and Human Rights	<p>Work programme for the period November 2016 to June 2017 will include the following five work themes—</p> <ol style="list-style-type: none"> 1. Scrutiny of Scottish Government’s proposed budget for the financial year 2017 to 2018 with a focus on disabilities and universities; 2. Consider the impact of withdrawal from the European Union on equalities and human rights in Scotland (Brexit); 3. Scoping session on bullying and harassment in schools; 4. Consideration of the incorporation of human rights into the Committee’s remit; and 5. Inquiries into the transition from education into employment for young people with protected characteristics or who may have difficulty accessing employment due to language or social origin or other personal attributes. 	<p>The Committee’s inquiry into transitions into education and employment for young people with protected characteristics might inform future audit work in the employability area.</p> <p>We are considering publishing, as an alternative output, a briefing paper on supporting looked after children and children with additional support needs into positive post-school destinations.</p>
Finance and Constitution	<p>Land and Buildings Transaction Tax (LBTT)</p> <p>A Scottish approach to taxation</p> <p>Scrutiny of draft budget 2017/18</p> <p>Scotland's Fiscal Framework</p>	<p>Annual performance audit reporting on new financial powers. Overview approach, with more detailed reporting on components as appropriate.</p>

Committee	Work programme themes	Links to rolling work programme 2017/18 – 2021/22
Health and Sport	<p>Health and social care integration (including budgets)</p> <p>Recruitment and retention</p> <p>Mental health</p> <p>Targets</p> <p>Obesity</p>	<p>A series of 3 Health & social care integration audits are included in the Programme. The second report is planned in 2017/18.</p> <p>A series of NHS workforce performance audits is planned. The first, covering overall NHS workforce issues, is due to report in summer 2017. The second will focus on GPs and primary care.</p> <p>A series of mental health performance audits is planned. The first, covering CAMHS, is planned for 2017/18.</p> <p>Commentary of performance against key national targets will continue to feature in the annual NHS in Scotland overview.</p>
Justice	<p>Role and purpose of COPFS (also a focus for budget scrutiny)</p> <p>British Transport Police (pre-legislative scrutiny)</p> <p>i6 (Sub-Committee on Policing)</p> <p>Three bills (Railway Policing Bill), Domestic Abuse Bill, Civil Litigation Bill)</p>	<p>We are currently reviewing the i6 programme and will publish a report during 2016/17.</p> <p>We are contributing the Committee's scrutiny of the 2017/18 budget.</p>
Local Government and communities	<p>Payments to returning officers</p> <p>Implications of EU Ref for LG</p> <p>Housing supply (and land supply)</p> <p>Provision of infrastructure and communities facilities as required to secure planning permission</p> <p>Also considering for future - city deals, NDR, housing plan, homelessness and housing options approach, CPPs</p>	<p>The committee is reviewing its current programme and will be considering proposals at its meeting on 7th December. Its areas of focus over and above its existing areas of interest include proposed upcoming bills in 2017 on planning and housing that focus heavily on increasing the supply and quality of housing. We currently have a housing audit scheduled for 2018/19 and it is proposed that this focuses on the achievement of national housing supply targets.</p> <p>Empowering communities is a priority area for the committee but it does not currently feature in its existing work programme. The committee is particularly interested in parts 2,3 and 5 relating to community planning, participation requests and asset transfer respectively. As a strategic priority for the Accounts Commission we have proposed audit work in this area in 2018/19. We will be looking at the most appropriate way to take forward the various aspects of community empowerment across all of our work from 2017/18.</p>

Committee	Work programme themes	Links to rolling work programme 2017/18 – 2021/22
		<p>City Deals performance audit proposed for 2017/18 with follow-up in 2020/21</p> <p>Influence and role of NDR in local government financing will be monitored and reported on through the LG financial overview reports</p>
Rural economy and connectivity	<p>Digital infrastructure and broadband - including new digital strategy and connecting hard to reach areas</p> <p>Roads infrastructure and maintenance - including scrutiny of major projects and road maintenance investment</p> <p>Crofting</p> <p>Implications of EU Ref - agriculture, fishing, food and drink</p> <p>Greenhouse gas emissions reduction in transport and agriculture</p> <p>Common Agriculture policy</p> <p>Forestry</p> <p>Fisheries and aquaculture</p> <p>Forth replacement crossing</p> <p>National Transport Strategy and developments on rail, ferries, buses and community transport</p> <p>Food and drink</p> <p>New powers - transport/coastguard/lighthouses</p>	<p>Next Broadband performance audit proposed for 2019/20.</p> <p>Roads maintenance impact report in late 2017/18 will comment on progress of Roads Collaboration Programme.</p> <p>Progress of major rail projects is likely to feature in Transport Scotland 2016/17 AAR.</p> <p>Performance audit on replacements for CAP and CFP post-Brexit proposed for 2021/22. Cluster to monitor developments in meantime.</p> <p>Performance audit of FRC planned for 2017/18.</p> <p>Progress and findings of NTS to be monitored as part of Transport Scotland financial audit.</p> <p>Devolution of Air Passenger Duty to feature as part of Devolution of fiscal powers series of performance audits.</p>
Social security	<p>New and existing Scottish social security powers</p> <p>New and existing benefits</p> <p>UK Government welfare policy</p>	<p>Annual performance audit reporting on new financial powers. Overview approach, with more detailed reporting on components as appropriate. That may include reporting on implementation of the social security powers devolved under the Scotland Act 2016.</p>

MEETING: 8 DECEMBER 2016

REPORT BY: ASSISTANT AUDITOR GENERAL

HOUSING BENEFIT INVESTIGATION LIAISON ARRANGEMENTS IN SCOTLAND

Purpose

1. This report provides advises the Commission of the outcome of a recent review of housing benefit fraud investigation arrangements between local authorities and the Department for Work and Pensions (DWP) since the responsibility for Housing Benefit (HB) counter-fraud work transferred from local authorities to DWP's Fraud and Error Service (FES) from July 2014.

Background

2. Since November 2007, Scottish local authority HB counter-fraud arrangements have been reviewed as part of Audit Scotland's HB risk assessment process.

Findings

3. The review identified that there is generally good liaison between local authorities and FES, particularly where the local authority previously employed the investigator.
4. However, the current process does not provide sufficient assurance that public funds administered by local authorities are being protected as:
 - potentially fraudulent claims are not always being dealt with appropriately
 - fraudulent claimants are not always being subject to sanction or prosecution action
 - fraudulent overpayments are not consistently being created and recovered, where appropriate
 - performance against the UK performance indicators is not being routinely recorded, monitored, and reported by FES or local authorities.
5. As there is no standard approach for local authorities to record and monitor the progress of fraud referrals sent to FES, there is a lack of management information nationally and locally that could be used to:
 - measure the outcomes from local authority fraud referrals
 - determine the effectiveness of the fraud referral process against UK performance indicators
 - help identify and resolve recurring issues
 - highlight good practice.
6. In addition, the national fraud referral form does not ensure that the minimum level of information to allow DWP staff to make a fully informed decision is captured.

7. Despite the significant issues identified in this report, DWP and local authorities in Scotland are committed to delivering process improvements and to implementing a structured and regular approach to local liaison.
8. The DWP is working on a number of activities to address the issues in order to improve performance and procedures. These activities include the establishment of the HB Fraud Issues Progression Group as a forum to discuss, prioritise and resolve issues and the commissioning of the DWP Performance Development Team to review the end-to-end fraud referral process and the issues associated with the rollout of FES

Conclusion

9. The Accounts Commission is asked to note the content of this report and to note that we plan to issue a copy of this report to council Chief Executives and the DWP following consideration by the Commission.
 - endorse the report ;
 - note that we plan to share a copy of this report to the DWP; and
 - agree that the Chair write to council chief executives and the chair of audit committees promoting the report.

Russell Frith
Assistant Auditor General
30 November 2016

A review of housing benefit fraud investigation liaison arrangements in Scotland

ACCOUNTS COMMISSION 

Prepared by Audit Scotland
November 2016

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

Contents

Executive summary	4
Background.....	5
Development and pilots	5
FES objectives	6
Current arrangements	6
Funding	7
Our work	8
Findings.....	9
Good practices	9
Key issues and areas for improvement.....	10
The referral process	10
Local agreement	13
FES performance indicators	14
Investigation outcomes.....	17
Appendix 1: Timetable of FES rollout in Scotland.....	18

Executive summary

1. The prevention, detection and investigation of fraudulent housing benefit (HB) claims are important aspects of a secure and effective benefit service. Counter-fraud activities help to protect public funds by ensuring that fraudulent claims are identified and sanctions are applied where appropriate.
2. Since November 2007, Scottish local authority HB counter-fraud arrangements have been reviewed as part of Audit Scotland's HB risk assessment process. This report provides the findings from a review of the efficacy of the arrangements between local authorities and the Department for Work and Pensions (DWP) since the responsibility for HB counter-fraud work transferred from local authorities to DWP's Fraud and Error Service (FES).
3. This process commenced in July 2014 and concluded in March 2016, and our report is intended to highlight areas of good practice, while identifying issues affecting performance, and recommending where improvements could be made. The key messages from our review are as follows:
 - There is generally good liaison between local authorities and FES, particularly where the local authority previously employed the investigator.
 - There is a risk that the current process does not provide sufficient assurance that public funds administered by local authorities are being protected as:
 - potentially fraudulent claims are not always being dealt with appropriately
 - fraudulent claimants are not always being subject to sanction or prosecution action
 - fraudulent overpayments are not consistently being created and recovered, where appropriate.
 - Performance against the performance indicators contained within the UK 'Local agreement' is not being routinely recorded, monitored, and reported by FES or local authorities.
 - There is no standard approach for local authorities, using internal IT systems, or via DWP's Fraud Referral and Incident Management System (FRAIMS), to record and monitor the progress of fraud referrals sent to FES, and consequently there is a lack of management information nationally and locally that could be used to:
 - measure the outcomes from local authority fraud referrals
 - determine the effectiveness of the fraud referral process against UK performance indicators
 - help identify and resolve recurring issues
 - highlight good practice.

- As part of the review of management information, the effectiveness of the new arrangements in respect of the number of local authority referrals that result in a referral to the Procurator Fiscal should be undertaken. Initial analysis of the questionnaire data suggests that numbers have declined significantly since responsibility transferred to DWP.
- The UK fraud referral form should be reviewed and updated to ensure that it captures a minimum level of information to allow DWP's Central Referral Services (CRS) staff to make a fully informed decision on appropriate further action.
- Local authority decision makers need to provide clear guidance to FES on what information is required to allow an HB overpayment decision and calculation to be made.
- In order to encourage high quality referrals, and ensure that local authorities are being suitably funded, DWP should consider reviewing the funding methodology to take account of the number of referrals made that meet a pre-defined and agreed quality standard, that are subsequently accepted for compliance or investigation action.
- DWP and local authorities in Scotland are committed to delivering process improvements and changes to procedures, and to implementing a structured and regular approach to local liaison. These activities included the establishment of the HB Fraud Issues Progression Group (HBFIPG) as a forum to discuss, prioritise and resolve issues.
- In addition, a FES seminar was held for Scottish local authorities in July 2016 with a view to understanding and addressing the issues that were affecting performance, and developing a strategy for improved liaison and joint working.

Background

Development and pilots

4. In 2010, the joint DWP/HM Revenues and Customs (HMRC) fraud and error strategy proposed a Single Fraud Investigation Service (SFIS) to address fraud across all benefits and tax credits, whether administered by DWP, HMRC, or local authorities. The main objective of the policy was to ensure that all types of social security benefit and tax credit fraud are investigated according to a single set of guidance and priorities.
5. In preparation for this change, in early 2013 a number of local authority pilots in the UK, which included Glasgow City Council, tested a variety of partnership approaches and a single set of policies and procedures in order to identify the best delivery model. The pilots also tested the different attributes of the service, including how SFIS worked in a Universal Credit environment, and how it worked as part of counter-fraud processes to help combat crime.

6. As a result of the success of these pilots, in the 2013 Autumn Statement, the Chancellor of the Exchequer formally announced the formation of SFIS (now FES), under the auspices of the DWP, with responsibility for investigating HB fraud and tax credit fraud. Previously, local authorities and HMRC were responsible for these investigations. The Crown Prosecution Service in England and Wales and the Procurator Fiscal in Scotland conduct prosecutions arising from fraud investigations.

FES objectives

7. The main objectives of FES are to:
 - operate under a single policy and set of operational procedures for investigating all welfare benefit fraud
 - conduct single investigations covering all welfare benefit fraud
 - rationalise existing investigation and prosecution policies in order to create a more coherent investigation service that is joined up, efficient, and operates in a more consistent and fair manner, taking into account all offences that are committed
 - enhance closer working between DWP, HMRC and local authorities, and bringing together the combined expertise of all three services drawing on the best practices of each
 - support the fraud and error integrated strategy of preventing fraud and error getting into the benefit system by detecting and correcting fraud and punishing and deterring those who have committed fraud.
8. The transfer of counter-fraud work from local authorities commenced nationally in July 2014 and concluded in March 2016 (*see Appendix 1*). In total, over 70 local authority fraud investigation staff also transferred to DWP during this period, and since March 2016, FES has conducted single welfare benefit fraud investigations to one set of policies and procedures for all local authorities.

Current arrangements

9. While local authorities have not been conducting HB fraud investigations since March 2016, there remains an ongoing need for close working with FES in respect of the exchange of data. Local authorities can refer cases to FES for investigation and, when a case is accepted, will be required to provide FES with evidence, such as copies of claim forms and other supporting documentation.
10. When a fraud or error has been established, local authorities may also be asked to provide FES with details of the amount of overpayment that has arisen as a result, attend court if required, and take appropriate action to recover the HB overpayment.

11. In addition, FES are required to provide the local authority with information to allow them to monitor the progress of an investigation, and to take appropriate action as required, for example, to suspend a claim.
12. The requirements of the exchange of data are set out in the UK local agreement, which was agreed and signed by FES and local authorities as part of the transfer of responsibility for HB fraud investigations to DWP. The local agreement contains ten key performance indicators, the name of a single point of contact (SPOC) for each organisation, and details of the escalation route to address any issues.

Funding

13. In line with DWP's new burdens doctrine, local authorities receive an agreed payment to help mitigate the financial impact of the transfer of counter-fraud work to FES. In 2014/15, all Scottish local authorities where counter-fraud work transferred to FES between 1 July 2014 and 31 March 2015 were paid an amount dependant on the proportionate average size of the local authority HB caseload (based on the previous 12 months), and the number of months between the 'go live' date and the end of the financial year.
14. As 2014/15 was the first year of transfer, all local authorities that did not transfer during the year received a one off payment of £562 towards costs relating to human resource or other miscellaneous activity arising from the transfer project
15. In 2015/16, payments to local authorities were based on the same methodology as the previous year, but also took into account DWP's expectation that 77,000 referrals would be made to FES from across the UK during the year.
16. In 2016/17, payments to local authorities were based on the same methodology as the previous year but also took account of FES management information for 2015/16 when 40,538 referrals were received by FES, from across the UK.
17. However, following discussions with local authority representatives, it was agreed that the number of referrals was lower than expected as local authorities adopted and became familiar with new processes. Consequently, the number of referrals used to calculate the new burdens payment for 2016/17 was increased to 45,000.
18. When we analysed the funding data in respect of the 27 local authorities that recorded referral data, for the period 1 July 2014 to 31 May 2016, we found a disproportionate amount of funding was provided to local authorities per case referred as detailed in Exhibit 1 below.

Exhibit 1: New burdens payments 1 July 2014 to 31 May 2016

	Number of cases referred	Amount of subsidy received	Subsidy per referral
All local authorities	4,427	£297,324	£67
Local authority A	479	£9,772	£20
Local authority B	24	£2,417	£101
Local authority C	2	£2,525	£1,263

Source: DWP subsidy circulars S9/2014, S8/2015 (revised), and S5/2016

19. As the current funding methodology does not take account of the number of cases referred, or the quality of referrals received by FES, we consider that this approach is financially detrimental to authorities that are referring more cases, and could act as a disincentive, as the amount of resource required to manage the referral process would be significantly greater than in local authorities that refer fewer cases.
20. In order to encourage high quality referrals, and ensure that local authorities are being appropriately funded, DWP should consider reviewing the funding methodology to take account of the actual number of referrals made per local authority that meet a pre-defined and agreed quality standard, that are subsequently accepted for compliance or investigation action.

Our work

21. In June 2016, Audit Scotland issued a questionnaire to each of the 32 Scottish local authorities in order to determine the effectiveness of the liaison arrangements. The questionnaire requested performance information, details of local good practice, local issues, and suggestions for improvement. To ensure a holistic approach, we also met with the FES Group Manager for Scotland and a FES Fraud team leader, and had discussions with senior officers from DWPs Housing Delivery Division.
22. Since we commenced our study, it is acknowledged that DWP had recognised that the current arrangements were not effective overall, had identified, and was working on a number of activities to address the issues in order to improve performance and procedures.
23. These activities included the establishment of the HB Fraud Issues Progression Group (HBFIPG) as a forum to discuss, prioritise and resolve issues, including changes and recommendations arising from previous reviews of the HB counter-fraud process, and commissioning its Performance Development Team (PDT) to produce reports on:
 - the issues associated with the rollout of FES
 - a review of the end-to-end fraud referral process.

24. In addition, a FES seminar was held for Scottish local authorities in July 2016 with a view to understanding and addressing the issues that were affecting performance, and developing a strategy for improved liaison and joint working.
25. As outcomes, the reports produced by the PDT provided a number of recommendations, which DWP are taking forward through the HBFIPG, and FES (Scotland) has established a programme of liaison meetings as the platform for raising issues and the sharing of good practice. As a minimum, a DWP and a local authority representative from each District (North, East, West and Central) will attend these meetings.
26. This report is therefore intended to complement and support the work of DWP and our findings and recommendations are set out below.

Findings

Good practices

27. A number of working practices, which have helped improve efficiency and effectiveness, have been introduced in some local authorities. These include:
 - Dundee City Council monitors and tracks the electronic local authority information exchange form (LAIEF) between the local authority and FES on their benefits workflow system. The council has also been working closely with FES officers, and has provided training to local FES staff in order to help improve FES and local authority processes.
 - A separate team in Glasgow City Council deal with all adjudications. This allows learning from previous adjudications that may be similar. This team also attend court, as required, and there is a dedicated administrator who works with the local authorities' decision makers.
 - A senior HB officer at Inverclyde Council vets all referrals before submission to FES to ensure they would have reached the standard for investigation by the local authority.
 - Aberdeen City Council fraud officers input the date the case was opened by FES on the LAIEF in order to monitor progress of an investigation.
 - The Scottish Borders Council is considering providing access to the local authority benefits IT system for its ex-fraud officers that transferred to FES. This would allow these officers to gather evidence for investigations independently. The local authority is also setting up sessions for FES officers to provide local authority staff with fraud and compliance awareness training.

Key issues and areas for improvement

28. A number of recurring issues and suggested improvements to the fraud referral process and the measurement of outcomes were identified during this review.
29. As previously mentioned, the FES (Scotland) seminar in July 2016, which was well attended by Scottish local authorities, was held in recognition of the need to improve the relationship between DWP and local authorities, and to identify areas for improvement in order to deliver a more cohesive investigation process across Scotland.
30. The types of issues raised in response to our questionnaire included:
 - cases being closed or transferred to DWP's compliance team for non-criminal action without local authorities being informed, and investigation outcomes not being provided resulting in local authorities not knowing if customers had been sanctioned or prosecuted
 - the lack of sufficient information provided to local authorities to allow adjudication officers to make robust overpayment decisions
 - issues when sending supporting documentation by e-mail as size restrictions mean that documentation cannot always be sent in one e-mail. This provides additional work for FES who need to ensure that separate emails in respect of the same referral are identified and collated
 - local authorities being asked to provide FES with all 'relevant' information when it is not clear what FES considers to be relevant
 - a lack of regular liaison meetings between local authorities and FES to discuss policy and operational matters
 - the LAIEF document does not include the space or functionality to allow local authorities to update relevant sections
 - referrals being lost by FES resulting in additional workloads and cost for local authorities to re-refer the case, and the potential increase in any resultant overpayment.
31. The following section looks in detail at the fraud referral process and the local agreement, which contains the key performance measures that set the parameters for joint working.

The referral process

32. In order to ensure a consistent approach, FES and each local authority nominate a SPOC to manage the fraud referral and investigation process. In local authorities the SPOC is responsible for ensuring that a fraud referral and supporting evidence is submitted to FES in the prescribed manner, responding to FES enquiries, and ensuring that appropriate action is taken at the conclusion of investigation or compliance activity. In FES, the SPOC is the person that the local authority would contact if there was a query, or an issue to be resolved.

33. Generally, where there is an allegation that an HB claim is potentially fraudulent and the local authority has sufficient information to support an investigation, a standard fraud referral form is completed and e-mailed to a dedicated FES email account. When received by FES, the local authority receives an automated response from the FRAIMS system acknowledging receipt.
34. Once received, DWPs Central Referral Services (CRS) carries out checks on DWP systems to provide as much background information as possible to enhance the referral. These checks include:
 - establishing if the customer is in receipt of benefit
 - the value of any potential overpayment
 - whether there has been a previous fraud
 - details of the household composition.
35. As part of this process, CRS complete a 'routing minute', which contains the details of the allegation from the fraud referral form and background information from the referral enhancement checks of DWP systems. This process allows CRS officers to make a routing decision based on the potential value of the overpayment as follows:
 - Generally, where the potential overpayment is less than £2,000, the case is routed to the FES Compliance (non-criminal) team.
 - Where the potential overpayment is £2,000 or above, or less than £2,000 and where there is fraudulent intent and/or it is a repeat offence, the case is routed to FES Local Service Investigation (LSI) to conduct a criminal investigation.
 - Where there is insufficient information to support either criminal or non-criminal action, the case is closed on the FRAIMS system and removed after 14 weeks as part of a data cleansing routine.
36. Once the routing process is complete, the electronic LAIEF is used by FES to keep the local authority informed on the progress of a referral, to request further information, as appropriate, and to advise the local authority on the outcome at the conclusion of investigation or compliance activity. The LAIEF is also used by the local authority to provide FES with HB information throughout the course of an investigation.

FES Local Service Compliance

37. FES Local Service Compliance teams carry out face-to-face interviews with customers where the level of potential fraud is less than £2,000, or there is insufficient evidence or extenuating circumstances that would not support a prosecution or administrative penalty.
38. The compliance interview is not a criminal investigation and therefore not carried out under caution. The purpose of the interview is to:
 - ensure that the customer is receiving the correct benefit entitlement

- obtain the necessary information to enable a potential overpayment/underpayment to be calculated
- establish the causes of the potential overpayment/underpayment
- advise the customer how to stop any future overpayment/underpayment from recurring
- explain the possible consequences of not complying in future, where appropriate.

39. Where it has been established following a compliance interview that there has been a failure to report a change of circumstances, where there is an HB implication, the information is referred to local authority decision makers, to create an overpayment and initiate recovery action, as appropriate.

FES Local Service Investigations

40. Where the potential fraud is £2,000 or more, and/or where there is fraudulent intent, and/or it is a repeat offence, a fraud referral will be dealt with by FES local service investigation officers. These staff are highly trained in fraud investigation techniques and carry out interviews under caution. Where fraud is established a customer could be sanctioned or prosecuted.

Recommendations for improvement

- | | |
|---|--|
| 1 | The fraud referral form should be reviewed and updated to ensure it captures all relevant information at the point of completion. This should include the name of the local authority sending the referral, the amount of the potential fraud, and the full contact details of the SPOC. |
| 2 | Local authorities and FES should work together to define and agree a minimum quality standard for local authority fraud referrals, and to ensure that the SPOC is fully trained to deliver this standard. In addition, local authorities and FES should develop a programme of management checks to ensure that only high quality referrals are sent to FES. |
| 3 | Local authorities and FES should establish a more robust method for recording and monitoring referrals, the outcomes, and the exchange of information between both organisations that provides for a complete audit trail of actions taken that is open to scrutiny. |
| 4 | In HB only cases, where an overpayment is estimated to be less than £2,000, and the local authority has the required level of evidence to support this, in consultation with FES, consideration should be given as to whether the action to create and recover the overpayment is best placed with the local authority, therefore reducing the number of cases referred for compliance action. |

Local agreement

41. The local agreement has six key performance indicators for local authority activity that FES should be monitoring, and four key performance indicators for FES activity that local authorities should be monitoring.
42. The aim of these performance indicators, which cover the end-to-end investigation process, is to provide for an efficient and effective relationship between each organisation to ensure that investigation and compliance activity is conducted in a professional and timeous manner. Exhibit 2 sets out the performance indicators in detail.

Exhibit 2: Local agreement performance indicators	
Local authority performance indicators	Timescale
Local authority - CRS referral routing	Within five working days
Local authority - during case build, respond to requests for claim forms etc. prior to Interview Under Caution (IUC)	Within 10 working days
Local authority - during an investigation, where identified, inform FES of changes to entitlement to HB or council tax reduction	Within two working days
Local authority - following IUC, respond to requests for further information, for cases appropriate for prosecution action	Within 10 working days
Local authority - during an investigation, inform FES of the amount of any overpayment which will include any underlying entitlement	Within 10 working days
Local authority - consider offering an Administrative Penalty as an alternative to prosecution and advise FES of the decision	Within 10 working days
FES performance indicators	
DWP - FES investigator to inform local authority of decision to investigate	Within two working days
DWP - FES to contact local authority for consideration of claim suspension	Within two working days of establishing factual evidence
DWP - FES to advise the local authority of the outcome of an Administrative Penalty offer	Within five working days
DWP - FES to notify the local authority of the outcome at the conclusion of the investigation	Within five working days

- 43. In order to monitor these performance indicators, local authorities and FES should have procedures and systems in place to ensure that the recording of referrals to FES is consistent and robust, and that regular monitoring is carried out to ensure compliance. However, from our analysis of the returned questionnaires from the 32 Scottish local authorities, and our discussions with FES (Scotland) senior management, it is clear that neither organisation is routinely recording or monitoring performance.
- 44. We were told by FES that the FRAIMS system is limited in respect of the management information that is available, and that it is not possible to determine FES or local authority performance against any of the performance indicators. In addition, although 27 of the 32 Scottish local authorities recorded the number of cases referred to FES, none had sufficient management information to determine local authority or FES performance against all of the indicators.
- 45. Consequently, our analysis is limited to the information provided by local authorities on our questionnaire in respect of the four performance indicators in the local agreement that FES should be meeting to keep them informed on the progress of a referral from receipt to outcome.

Recommendation for improvement

5	The UK local agreement should be reviewed and updated to ensure that performance indicators are relevant and achievable, and are recorded and routinely monitored to allow FES and local authorities to report on performance in a consistent and robust manner.
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FES performance indicators

- 46. It is acknowledged that our analysis provides an indication of performance from a local authority perspective and is not based on a complete dataset, as some local authorities did not capture the necessary performance information. However, as FES are currently unable to provide any national MIS to challenge these figures, or provide performance from a FES perspective, we consider that our analysis is representative of the issues being experienced.
- 47. It also provides an opportunity for both organisations to learn and improve current processes and procedures to ensure that future performance management is robust, consistent and open to scrutiny. The recent recognition and significant work already carried out by DWP into the current arrangements supports these findings.

FES investigator to inform the local authority of decision to investigate

- 48. The purpose of this performance indicator is to notify the local authority that an investigation has commenced which could lead to a sanction and/or overpayment. In notifying the local authority, it enables them to deal with any subsequent enquiries from the customer, and helps

to ensure that a FES investigation is not compromised. In such cases, FES should send a LAIEF to the local authority within two working days of receiving the case.

49. In respect of the 32 local authorities that completed our questionnaire, a total of 4,427 referrals to FES were made between 1 July 2014 and 31 May 2016. Of these, we found that 16 local authorities were not fully capturing information in respect of this performance indicator and were unable to report on how many cases FES had advised of a decision to investigate within the required timeframe.
50. Details of performance against this indicator in respect of the 16 local authorities that recorded this information is provided at Exhibit 3 below.

Exhibit 3: FES investigator to inform local authority of decision to investigate (within two working days from receipt of referral)

	Number of cases	Number advised	Number advised within timescale
2014/15	1,599	191 (12%)	32 (17%)
2015/16 (31 May 16)	688	145 (21%)	17 (12%)
Totals	2,287	336 (15%)	49 (15%)

Source: Scottish local authorities

FES to contact local authority for consideration of claim suspension

51. The purpose of this performance indicator is to request the local authority to suspend a claim under investigation within two working days of establishing factual evidence, to ensure that the local authority does not continue to pay HB where there is no entitlement. It is also important that FES provide the local authority with sufficient information in order to support a suspension request.
52. Details of performance against this indicator in respect of the five local authorities that recorded this information is provided at Exhibit 4 below.

Exhibit 4: FES to contact local authority for consideration of claim suspension (within two working days of establishing factual evidence)

	Number of cases	Number advised	Number advised within timescale
2014/15	Data not available	6	4 (67%)
2015/16 (31 May 2016)	Data not available	8	1 (13%)

Exhibit 4: FES to contact local authority for consideration of claim suspension (within two working days of establishing factual evidence)

Totals		14	5 (36%)
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Source: Scottish local authorities

53. In the period 1 July 2014 to 31 May 2016, analysis of the questionnaire returns from the 32 Scottish local authorities showed that 4,427 cases had been referred to FES. It is therefore unlikely that in only 14 cases (0.3%) FES had contacted the local authority to suspend a claim.
54. However, as there is no record of the date that FES had established factual evidence on the LAIEF, and FES and local authorities are not routinely recording this information, this performance indicator cannot be accurately measured.

FES to advise local authority of the outcome of an administrative penalty offer

55. The purpose of this performance indicator is to provide the local authority with sufficient information to determine the impact on a customer's HB claim in the event that fraud has been established by FES. This is particularly important as the local authority is required to pursue any subsequent HB overpayment, and early intervention would help the local authority to initiate recovery action in respect of the fraudulent overpayment and the administrative penalty in a timely manner.
56. Full details of performance against this indicator in respect of the eight local authorities that recorded this information is provided at Exhibit 5 below.

Exhibit 5: FES to advise the local authority of the outcome of an administrative penalty offer (within five working days)

	Number of cases	Number advised	Number advised within timescale
2014/15	Data not available	98	41 (42%)
2015/16 (31 May 2016)	Data not available	8	4 (50%)
Totals		106	45 (42%)

Source: Scottish local authorities

FES to notify the local authority of the outcome at the conclusion of the case

57. This performance indicator provides the local authority with details of the outcome of an investigation in order for appropriate action to be taken. For example, to calculate and initiate the recovery of a fraudulent overpayment.

58. Full details of performance against this indicator in respect of the eight local authorities that recorded this information is provided at Exhibit 6 below.

Exhibit 6: FES to notify local authority of the outcome at the conclusion of the investigation (within five working days)

	Number of cases	Number advised	Number advised within timescale
2014/15	Data not available	203	199 (98%)
2015/16 (31 May 2016)	Data not available	74	26 (35%)
Totals		277	225 (81%)

Source: Scottish local authorities

Investigation outcomes

59. In order to compare the effect of the transfer of responsibility for HB counter-fraud work to FES in respect of fraud investigation outcomes, we asked each local authority to provide information on the number of cases referred to the Procurator Fiscal, and the number of administrative penalties offered in the last full financial year before responsibility transferred to FES. We also sought similar information from FES.
60. However, although the majority of local authorities provided this information, we were unable to establish the same details from FES and therefore a comparison was not possible. However, anecdotal analysis of the questionnaire data suggests that numbers have declined significantly since responsibility transferred to FES.

Recommendation for improvement

6	<p>FES should seek to develop management information to determine the effectiveness of fraud investigations that it conducts on behalf of local authorities and consider reporting performance on a regular basis. Such information could include:</p> <ul style="list-style-type: none"> • the number and percentage of local authority referrals dealt with by Compliance that resulted in an overpayment • the number and percentage of local authority referrals dealt with by Compliance that resulted in no further action • the number and percentage of local authority referrals dealt with by Local Service Investigation that resulted in an administrative penalty • the number and percentage of local authority referrals dealt with by Local Service Investigation that resulted in a prosecution.
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Appendix 1: Timetable of FES rollout in Scotland

61. The table below details the order that HB counter-fraud work was transferred from local authorities to FES.

Local authority	Date transferred
East Ayrshire	July 2014
Dumfries and Galloway	October 2014
South Ayrshire	October 2014
East Dunbartonshire	October 2014
North Lanarkshire	October 2014
Falkirk	October 2014
Glasgow	November 2014
South Lanarkshire	November 2014
Edinburgh	November 2014
East Lothian	November 2014
Fife	December 2014
North Ayrshire	February 2015
West Lothian	February 2015
Stirling	February 2015
Scottish Borders	March 2015
West Dunbartonshire	March 2015
Aberdeen City	April 2015
Aberdeenshire	May 2015
Angus	May 2015
Dundee	June 2015
Perth and Kinross	July 2015
Western Isles	July 2015

Local authority	Date transferred
Highland	August 2015
Moray	August 2015
Orkney	August 2015
Shetland	September 2015
Midlothian	October 2015
Argyll and Bute	October 2015
Clackmannanshire	October 2015
East Renfrewshire	December 2015
Inverclyde	February 2016
Renfrewshire	March 2016

MEETING: 8 DECEMBER 2016

REPORT BY: SECRETARY TO THE COMMISSION

AUDIT OF BEST VALUE: EAST DUNBARTONSHIRE COUNCIL

Purpose

1. The purpose of this paper is to introduce the Controller of Audit's report on the Best Value follow-up audit at East Dunbartonshire Council. The Commission is invited to consider the report and decide how it wishes to proceed.

Background

2. At its meeting in May 2015, the Commission considered a report by the Controller of Audit on Best Value in East Dunbartonshire Council, which covered the extent to which the council is meeting its statutory duty, with a focus on reconciliations and internal controls, workforce and asset management, and procurement.
3. In its findings published on 4 June 2015 (attached in the Appendix), the Commission expressed serious concerns about the pace of improvement, and highlighted the urgent need for the council to develop clearer priorities for its improvement activity. The Commission highlighted a number of areas where the council was not demonstrating effective management of resources, including in the frequency and quality of its financial reconciliations. The Commission also said that the council needed to improve the effectiveness of its scrutiny arrangements, and requested the Controller of Audit to report back on progress by the end of 2016.
4. A follow-up review was carried out between April 2016 and October 2016 to consider the action the council has taken.

The report

5. The attached report to the Commission is made by the Controller of Audit under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).
6. The legislation enables the Controller of Audit to make reports to the Commission with respect to:
 - the accounts of local authorities audited under the Act;
 - any matters arising from the accounts of any of those authorities or from the auditing of those accounts being matters that the Controller considers should be considered by the local authority or brought to the attention of the public;
 - the performance by a local authority of their statutory duties in relation to best value and community planning.
7. A copy of the report is being sent to the Council, which is obliged to supply a copy to each elected member of the Council and to make additional copies available for public inspection. Once the Controller of Audit's report is sent to the Council it is effectively in the public domain.

Procedure

8. The legislation provides that, on receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:
 - direct the Controller of Audit to carry out further investigations;
 - hold a hearing;
 - state its findings.
9. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers, who have powers to make an enforcement direction requiring an authority to take such action as is specified in the direction.
10. Members of the audit team will be present at the Commission's meeting and will be available to answer questions on the evidence presented in the report.

Conclusion

10. The Commission is invited to:
 - a) consider the report by the Controller of Audit on the audit of Best Value of East Dunbartonshire Council; and
 - b) decide how it wishes to proceed.

Paul Reilly
Secretary to the Commission
30 November 2016

Appendix 1:

Commission's findings on Best Value Report, East Dunbartonshire Council

June 2015

1. The Commission accepts this report by the Controller of Audit on the audit of Best Value of East Dunbartonshire Council, which we asked in December 2013 the Controller of Audit to undertake.
2. The Commission acknowledges that the council delivers a good standard of services and has made progress in addressing some of the issues raised in the previous report by the Controller of Audit to the Commission in December 2013. The council's commitment to improvement is evident, but we have serious concerns about the pace of this improvement. There is a gap between the council's ambitions and the delivery on the ground of the strategies and programmes by which these are to be achieved. If this gap is not addressed, then this increases risks to the long-term sustainability of the council's services.
3. Principally, the council urgently needs to have clearer priorities in its transformation programme, in order to ensure that critical projects are delivered and the anticipated savings and benefits are realised.
4. Sound management of resources is a key characteristic of a best value council. However, the council is not doing this effectively in a number of respects. It needs to: ensure regular timely financial reconciliations – a fundamental aspect of financial control; improve planning and delivery of its capital programme; ensure the workforce strategy has clear targets and timescales; and make better progress with job evaluation.
5. We note that new scrutiny arrangements are in place, but these are ineffective. Elected members in both administration and opposition need to be able to fulfil their responsibility to challenge and scrutinise performance as well as rigorously appraise options for service improvements. Elected members need to specify the information they require and hold officers to account. Officers in turn need to ensure that reports are accessible, understandable and jargon-free.
6. The Commission requires the Controller of Audit to report on the progress by the council within 18 months.

East Dunbartonshire Council

Follow up Best Value report 2016

ACCOUNTS COMMISSION 

Prepared for the Accounts Commission by the Controller of Audit

December 2016

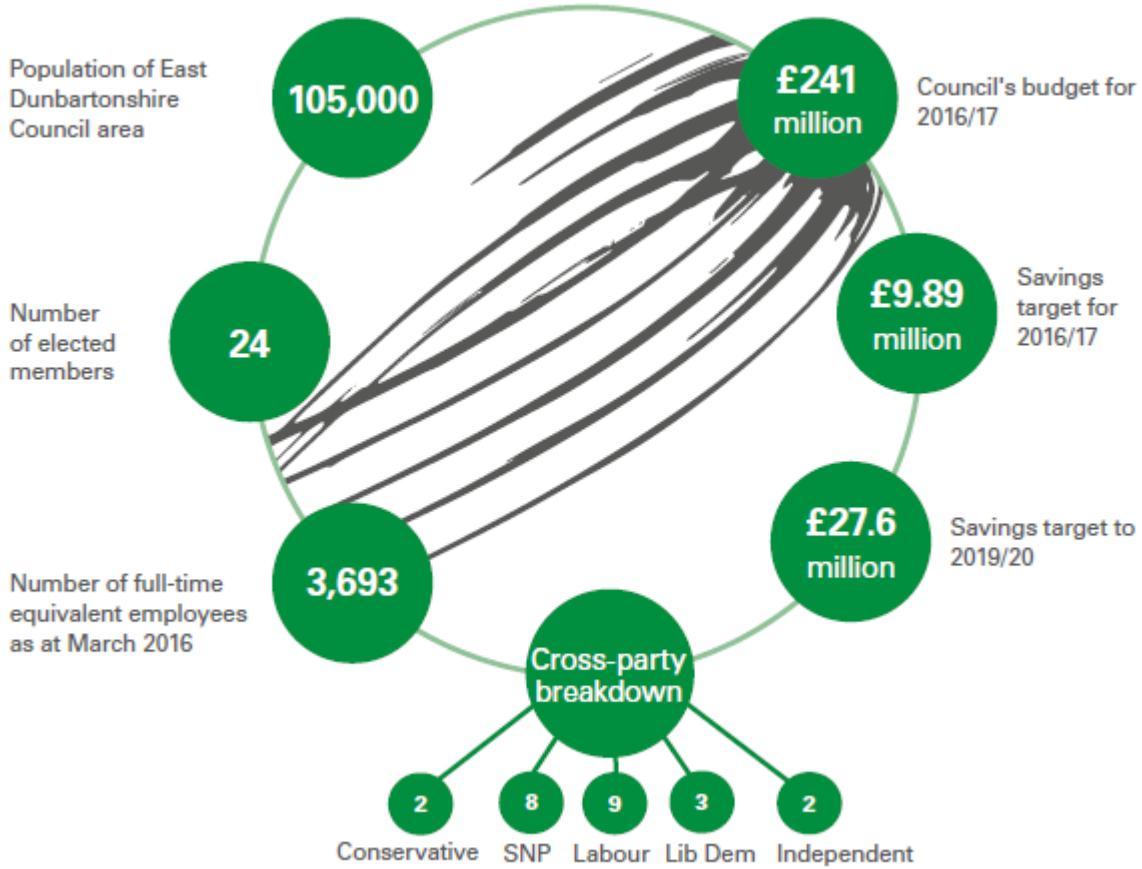
Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

Contents

Introduction	4
Summary	6
Audit assessment	7
The council needs to improve more quickly if it is to meet its projected budget gap.....	7
The council has a better understanding of its workforce but continues to make significant reductions to its workforce without clear objectives	11
Decision-making is more open and scrutiny is becoming more effective, but there is still scope for improvement.....	14
Financial management has improved, with better financial reconciliations and delivery of the council's capital plan, but we have concerns about financial capacity and resilience .	15
Conclusions	18

Introduction

1. This report updates the Accounts Commission on the council's progress following a previous Best Value follow-up report in June 2015. This is my third Best Value report on East Dunbartonshire Council in the last three years. In December 2013, I reported to the Commission findings from targeted Best Value work identified in the council's 2013-16 assurance and improvement plan. The 2012/13 Annual Audit report for the council summarised this Best Value work. The 2013 report raised a number of concerns, including:
 - gaps in the council's systems of internal controls
 - significant delays in its capital programme
 - weaknesses in its approach to procurement
 - scope to improve performance information and management.
2. After considering my report, the Commission asked for a follow-up Best Value report within one year to track the council's progress against these concerns. In June 2015 I reported that, although the council continued to deliver a good standard of services, several significant issues remained unresolved. These included continuing gaps in financial reconciliations, slippage in its capital programme and high levels of sickness absence.
3. The Commission issued findings on my report. These noted the council's commitment to improvement, and acknowledged that it had made progress in responding to some of the issues I raised in my December 2013. However, the Commission raised serious concerns about how quickly the council was making improvements. It concluded that there was a gap between the council's ambitions and how it was implementing improvement programmes and strategies in practice. In particular the Commission highlighted the need for the council to:
 - urgently develop clearer priorities for its transformation programme
 - improve how it manages staff and other resources through regular timely financial reconciliations, better planning and delivery of its capital programme, developing clear targets and timescales for its workforce strategy, and making better progress with job evaluation
 - improve the effectiveness of scrutiny arrangements to ensure that elected members are able to fulfil their responsibility to challenge and scrutinise performance.
4. The Commission requested a follow-up Best Value report within 18 months to report on progress. This report is my response to the Accounts Commission's request. The main audit work by a team from Audit Scotland took place between May and August 2016 and has focused on following up the Commission's findings. This included interviewing council officers and elected members, reviewing council documents such as reports and minutes, and observing meetings.
5. We gratefully acknowledge the cooperation and assistance provided to the audit team by all elected members and officers we contacted during the audit.



Summary

6. Since the last Best Value audit the council has taken steps to address the Commission's concerns. It has prioritised its transformation programme, which sets out all its projects to deliver savings and change the way it provides services. The council agreed a revised programme in June 2016 (paragraphs 20-22), with a further update in October 2016.
7. The council has also made progress with some larger scale improvement projects over the past year. However, much of its transformation programme remains behind schedule. This is something the council needs to rectify if it is to meet its projected budget gap of £27.6 million over the next three years. It is now looking to make significant savings by sharing services with neighbouring councils, although at this early stage the level of anticipated savings is not clear.
8. Over the past year the council has improved the quality and frequency of its financial reconciliations. It is also delivering its capital programme more effectively (paragraphs 52-57). Despite these improvements in financial management, the external auditor has raised concerns in the 2015/16 Annual Audit report about the council's internal controls for payments to private social care providers. In September, members examined these issues at the Transformation, Economy and Employment scrutiny panel and have agreed actions to address them. However, we also have concerns about the range of skills and experience within the finance team to sustain improvements.
9. The council has implemented some aspects of good workforce planning, but it continues to reshape the size and roles of its workforce without clearly stating how this will deliver its priorities (paragraphs 34-37). Developments in HR systems and practices over the past year have helped reduce sickness absence and improve the council's understanding of the size and skills of its workforce. The council also completed its job evaluation exercise in 2016, albeit after lengthy delays.
10. The council has further reduced its number of chief officers and other staff over the last year to make savings. While the council is committed to achieving workforce reductions through voluntary means, it needs to ensure that the associated loss of skills and experience does not adversely affect its ability to deliver both services and its significant programme of change. Since 2009, it has made significant reductions across its workforce through voluntary redundancy. The council's average cost of voluntary exit packages is high compared to other councils. This will be influenced by the proportion of senior staff leaving the council but also suggests scope for the council to review whether the terms of its exit packages represent best value.
11. Decision-making is more transparent, with the council conducting more of its business in public. Scrutiny arrangements and the quality of elected members' scrutiny are also becoming more effective. However, there remains scope for further improvements to governance, particularly in providing elected members with shorter and clearer reports to help decision-making and scrutiny (paragraphs 44-51).

Audit assessment

The council needs to improve more quickly if it is to meet its projected budget gap

The council has made progress with a number of projects over the past year but its transformation programme remains behind schedule

12. The council established its transformation programme in 2013 as a response to the significant financial challenges it faces, with a need to identify cumulative savings of £27.6 million between 2017/18 and 2019/20. Its original programme included a broad range of projects, from major capital projects such as community hubs, which offer a number of council services under one roof, to smaller-scale changes such as introducing electronic payslips. In our previous Best Value reports we reported that a significant number of projects were behind schedule, particularly the larger, more complex projects, which could potentially make the greatest contribution to the council's savings targets. We also highlighted that the council was unable to demonstrate the benefits and savings that its transformation projects were achieving.
13. In 2015 we reported that the council's transformation programme was beginning to gain momentum. Since then, the council has made further progress with some of its more significant transformation projects. These include the following:
 - Homecare resources review: a new model of providing homecare, to help more people with long-term needs to live at home, has been operating since February 2016, nearly two years behind schedule. The revised staffing and shift patterns adopted through the new model are expected to generate annual savings of £600,000 from 2016/17. But trade union representatives we spoke to raised concerns that additional staff had not yet been recruited, leading to an increase in overtime costs after the councils took back control of elements of homecare services that had been run by private providers.
 - Integrated HR and payroll system: the principal elements of the system are now functioning, although significantly behind the original due date of December 2013. The introduction of some additional planned modules, such as online payroll, ePayslips, timesheets, expense claims has been delayed and is due to be completed by the end of February 2017.
 - Community hubs: two of the five planned community hubs are now open. The Lennoxton community hub opened in Feb 2016 after almost a two-year delay. The Bearsden and Bishopbriggs hubs have been redesigned and are both due to be completed by April 2017. The Milngavie hub is not due to be completed until September 2018.
14. In response to previous Commission findings, the council reviewed its transformation projects and their planned timescales. Despite a number of projects remaining behind schedule, the council reports that most transformation projects are now progressing to plan against revised

completion dates. While we would expect timescales for some projects to be revised as the programme is reprioritised, timescales for a large number of projects continue to be pushed back, as shown in Exhibit 1 below.

- In the four months between June and October 2016, many estimated due dates have slipped by four to twelve months. The October transformation update does not make clear that timescales have changed since June, or explain why delays have happened. Delays will have an impact on project costs and anticipated savings, so it is important that updates are presented in a more transparent way that enables elected members to properly scrutinise progress. It is also important that the council tries to make as realistic an assessment of timescales as possible at the beginning of projects.

Exhibit 1

Transformation plan

Many key projects continue to take longer than originally anticipated

Priority score	Transformation project	Original due date	Delay	Revised due date
Current (Top 10 priority)				
89	Procurement	1 April 2016	12 months	31 March 2017
76	Terms and Conditions	12 September 2016	6 months	31 March 2017
75	Service Resource Management	1 April 2016	12 months	31 March 2017
73	Income Management System Upgrade (AIM)	29 July 2016	4 months	15 December 2016
67	Revenues & Benefits Service Review	1 July 2016	5 months	1 December 2016
65	Neighbourhood Services Modernisation	30 June 2016	n/a	31 May 2016
65	Charging Framework & Review of Letting	1 July 2016	12 months	1 July 2017
63	Channel Shift Programme	31 March 2017	n/a	n/a
63	Revenues & Benefits Spend to Save	30 November 2016	2 weeks	16 December 2016
62	Service Resource Management	1 April 2016	13 months	31 April 2017
Legacy (highlighted in Audit Scotland's previous report)				
74	Integrated HR/Payroll	December 2013	38 months	28 February 2017
69	Oracle Procure To Pay (P2P)	October 2013	36 months	31 October 2016*
61	Remote & Mobile Working	August 2014	24 months	TBC
40	Unified Communications	October 2013	37 months	30 November 2016
28	Community Hub - Bearsden	December 2014	27 months	February 2017
28	Community Hub - Bishopbriggs	December 2014	28 months	April 2017

Complete Transformation projects	Original due date	Delay	Completion date
Homecare resourcing review	May 2014	21 months	COMPLETE (Feb 2016)
Internal shared service – phase 1	January 2014	32 months	COMPLETE (Sep 2015)
Registration service review programme	November 2014	11 months	COMPLETE (Dec 2015)
EDRMS Tender and Procurement	June 2013	29 months	WITHDRAWN (Dec 2015)
Community Hub – Lennoxton	June 2014	20 months	COMPLETE (Feb 2016)

*P2P rolled out to all services with the exception of Housing and the health and social care partnership.

Source: East Dunbartonshire Council: A follow-up report June 2015, Audit Scotland; Transformation Programme 2016-17, East Dunbartonshire Council, 21 June 2016 and 20 October 2016.

The council is improving the way it manages its transformation projects

- We previously reported that the council had improved the way it manages and oversees its transformation projects. It did this by establishing a Programme Management Office (PMO)

and introducing a project management framework in July 2014. Since our last audit, the council has continued to review and improve its project management arrangements. For example, it has recently streamlined the process of agreeing business cases for proposed projects and has introduced gateway reviews of projects, which are designed to highlight and avert potential risks. We have not been able to assess at this stage the impact of these recent changes in helping the council deliver transformation projects within budget. However, as shown above, recent updates to the transformation programme show that project timescales continue to slip (Exhibit 1).

17. The council has also introduced a lessons-learned log. Project managers complete this at the end of each project and consult it before starting new projects. Recurring issues include:
 - projects can significantly increase in scope after they begin
 - project timescales and costs are commonly underestimated
 - projects are not always properly resourced in terms of numbers and skills of staff.
18. The lessons learned log should help the council to manage its programme more effectively by recognising and addressing issues which have been recurring across the programme. The council needs to ensure that it puts these lessons into practice when scoping and budgeting new projects.
19. The council recognises that it has not successfully been able to measure the benefits that its transformation projects have delivered. To improve this, a dedicated accountant joined the PMO team in November 2015 with a remit of costing business cases and carrying out financial options appraisal. As a result, the transformation programme now includes an estimated financial benefit for new projects, although this is currently provided for less than half of the current overall programme. It is important that the council continues to improve how it estimates and monitors savings associated with its transformation projects.

The council has prioritised its transformation programme.

20. In June 2015, the Commission stated that the council urgently needed to develop clearer priorities in its transformation programme. Priorities were needed to ensure that it delivered critical projects and realised anticipated savings and benefits. In response, the council agreed a prioritised Transformation Programme in June 2015.
21. Since then, the council has developed a scoring matrix to prioritise projects more formally. The matrix informed the council's updates of its transformation programme in 2016, and is based on the following five criteria (from highest to lowest weighting):
 - Improved efficiency
 - Service delivery
 - Maintenance and enhancement of core assets
 - Statutory and legal responsibilities
 - Corporate priorities and sustainability.

22. Despite improving how it prioritises projects, the council does not present its transformation programme in the clearest and most accurate way. Its most recent programme updates in June and October 2016 both list some projects as having completion dates that had already expired. Where this is the case, parts of the projects have been implemented, but revised timescales for full implementation remain unclear. For example, in October 2016, the council reported that its 'Click Call Come In' (CCC) strategy - a series of phased projects including a new web-based customer relationship management (CRM) system - had an estimated due date of 30 September 2016. Phase 1, "system go live", is reported as complete but phase 2 is still to be scoped and programmed. The programme does not identify a completion date for phase 2. Whilst more information is available to elected members if required, reporting currently lacks sufficient clarity to allow them to easily scrutinise the council's improvement activities. As noted above, the reporting of timescales is also unclear (paragraphs 14-15).

The council has made substantial savings through procurement but needs to make clear how it will achieve the even greater savings targets it is relying on in future

23. In June 2015, we reported that the council had significantly improved its procurement team and procurement systems. We noted that:
- the council was aiming to save £5 million between 2015/16 and 2017/18 from better procurement
 - its estimated savings were, however, based only on figures from Scotland's local government centre for procurement expertise, Scotland Excel, rather than specific procurement measures.
24. Since our last audit, the procurement team has gone on to win Team of the Year at the 2015 Government Excellence in Public Procurement Awards. The council also achieved approximately £930,000 of procurement savings against a target of £1 million, through a range of areas such as negotiating new insurance policies, fleet costs and street lighting.
25. To deliver the council's cumulative procurement savings target of £5 million by 2017/18, it needs to make further procurement savings of £2 million in both 2016/17 and 2017/18. Procurement is the council's top priority project, yet its procurement plan lists only savings achieved in 2015/16, with no indication of how further savings will be made. With such ambitious savings planned from procurement, we would expect to see more detail of the specific measures the council has in place to deliver them. The council has indicated that work is ongoing to identify all procurement savings for 2016/17 and that these will be reported in future reports to the Policy and Resources Committee.

The council is actively exploring shared services with neighbouring councils to help meet its projected future budget gap

26. Despite the savings the council has made to date, as with other local authorities across Scotland, the scale of its financial challenge is increasing. It has a savings target of approximately £9.9 million for 2016/17. Its projected funding gap over the next three years to 2019/20 is £27.6 million, which equates to 12.5 per cent of its annual budget. Following the

2016/17 budget setting process, its projected funding gap has increased by around 18.5 per cent from the £23.3 million we reported previously.

27. The council recognises that even if it successfully delivers its existing transformation programme, this will not be enough to meet its estimated savings targets. It is therefore looking at alternative savings options. In particular, since 2015 it has been considering options for sharing services with neighbouring councils in Inverclyde and West Dunbartonshire. All three councils have agreed to establish a joint shared services committee, and approved a Joint Committee Minute of Agreement in September 2016. This established the governance structure necessary for the Joint Committee and to allow the sharing of services among participating Councils. The first meeting of the Shared Services Committee is due to be held in mid-December 2016. Each council has appointed four elected members to sit on the Joint Committee.
28. The councils have an ambitious aim of sharing services from April 2017 onwards. The councils have estimated indicative savings of 15 per cent over three years from sharing the proposed frontline services, which initially includes roads and transportation and fleet management. The savings that East Dunbartonshire Council can actually achieve and how quickly they will impact on its budget will be clearer once the councils have developed detailed business plans. These are expected to be approved by March 2017, and the councils plan for shared services to be operational from April 2017.

The council has a better understanding of its workforce but continues to make significant staff reductions without clear objectives

The council has continued to make changes at the senior officer level

29. The council has significantly changed its organisational structure since 2009. The council has reported that it has reduced the number of directors and heads of service by 76 per cent. Since our last report in June 2015, the council has changed its chief officer structure twice, taking the opportunity to rationalise as officers have taken voluntary redundancy.
30. The council has reported that the latest chief officer restructuring will contribute towards workforce savings of £375,000 in 2016/17 and £500,000 from 2017/18 onwards. It is using some of its savings to invest in 11 new strategic lead roles that report to the two deputy chief executives. The strategic leads are to provide the management skills needed to deliver organisational change while maintaining effective service delivery.
31. The size and scope of strategic lead roles differ across services and includes a Chief Finance Officer, who acts as the council's section 95 officer, responsible for the council's financial affairs. This role was previously performed by the Group Director - Finance & Corporate Assets. The Chief Finance Officer is not a member of the council's Corporate Management Team (CMT), which is not consistent with the Accounts Commission's guidance on the role and its importance. The Chief Finance Officer does, however, regularly attend CMT meetings.

After lengthy delays, the council has completed its corporate job evaluation exercise.

32. After a two-year delay, the council began an organisation-wide job evaluation exercise in 2013. In our last Best Value report we noted that by February 2015, the council had evaluated 61 per cent of 2,841 jobs. The Commission stressed the council needed to make better progress with job evaluation. This was critical in eliminating uncertainty for staff across the organisation about their grading and pay and tackling the associated effects on staff morale, stress and absence.
33. The council has now completed its job evaluation exercise, including the appeals process. It has now begun to evaluate the new posts that have been created from its simultaneous organisational restructuring exercise. This should be a much shorter process, although timescales for completing it are unclear.

The council has adopted some elements of good practice in workforce planning, but still lacks clear objectives and timescales against which it can judge its success

34. We reported previously that, due to lacking effective HR systems, the council was not able to provide us with accurate staffing levels. As a result of implementing its integrated HR/payroll system during 2015/16, the council now knows that at March 2016 its staffing level was 3,693.09 full-time equivalent (FTE), with a headcount of 4,286.
35. The Commission previously found that the council needed to ensure that its workforce strategy had clear targets and timescales. In June 2015, the council approved an updated workforce strategy for 2015-18. This focuses on high-level principles of workforce planning, for example the importance of having the 'Right People, Right Time, Right Place with the Right Skills'. However, the strategy could do more to address what that means in practice for the council. For example, the Accounts Commission's and Auditor General's 2013 *Scotland's Public Sector Workforce* report recommends that councils and other public sector bodies should forecast expected staff numbers, skills needs and costs on a rolling three-year basis. This is not yet happening in East Dunbartonshire.
36. To accompany its workforce strategy the council has developed a workforce improvement plan. This focuses on developing and implementing workforce programmes and initiatives, but does not include clear targets or timescales dealing with staffing numbers, the voluntary release scheme or how the council manages absence.
37. Consistent with good practice in workforce planning, all service areas performed a skill gap analysis in 2015 to assess whether they had the right number of people with the right skills. The council has used the results to produce a corporate training plan. We have not carried out a full assessment of the skills analyses, but we found evidence that in some areas the council has not given adequate consideration to ensuring it has enough people with the right skills in place to deliver services effectively. For example, in our 2015/16 Annual Audit Report we raise concerns about capacity within both the finance and revenue and benefits teams. Staff changes and reductions have led to individual officers having sole responsibility, and knowledge of, certain areas of work. As a result, the council lacks resilience and any staff absence creates a risk to the delivery of these important services. The council's staff wellbeing

survey also highlighted employee concerns about teams being understaffed and a lack of training and support to enable employees to adjust to additional responsibilities (paragraph 40). The council is carrying out strategic reviews of its finance and revenue and benefits functions that include consideration of future staffing and skills needs, but these have yet to be concluded.

Sickness absence is falling but remains relatively high

38. In 2013/14 the council had the highest sickness absence rate in Scotland, with an annual average of 13.07 days lost per employee (excluding teachers). Over the past few years the council has made concerted efforts to manage absence more effectively. This resulted in average absence falling to 12.68 days in 2014/15 (the fourth highest absence rate in Scotland). The council's data for 2015/16 show further improvement, with average absence falling to 11.65 days per employee.
39. The council acknowledges that it still has work to do to reduce absence further, and is continuing to take positive steps to improve absence management. Since our previous Best Value audit it has developed a managers' toolkit and provided training to try to ensure that all managers are applying the absence policy consistently. It has also carried out a staff wellbeing survey and used the results in developing its revised Wellbeing at Work policy in January 2016.
40. The focus of the wellbeing survey was on employees' awareness of various council policies and initiatives. While the survey asked questions about employees' exercise and healthy eating, responses to open questions featured repeated comments about lack of communication and consultation about changes made within the council, with restructuring and reduced staff numbers leading to increased workloads and stress. Less than half of respondents believe that the council understands what has an impact on their mental health and wellbeing at work, or that the council supports them if they have problems with their mental health and wellbeing. While results are based on a limited sample, with only 163 people (three per cent of staff) completing the survey, they do highlight important challenges for the council in improving the working environment and reducing absence.

The cost of voluntary redundancy is high and the resulting savings are not monitored effectively

41. During 2015/16, 101 employees left the council through voluntary redundancy, at a cost of £9.03 million. The council has used voluntary redundancy as its primary way of reducing its annual operating costs, in line with its commitment to achieving change through voluntary means. However, the costs of its scheme are high compared to other Scottish local authorities. In 2015/16, East Dunbartonshire had the second highest total cost of voluntary exit packages among Scottish councils and the fourth highest average cost per employee. Its relatively high costs will be influenced by a high proportion of senior staff leaving the council, as well as the relatively favourable terms on offer for employees to leave.
42. In December 2014, the council reviewed the terms of its voluntary exit scheme and agreed to maintain its existing terms in order to attract sufficient interest in the scheme. It is currently

preparing for a further round of voluntary redundancies. As part of its preparation, the council should continue to review the terms it offers employees, relative to demand for voluntary redundancy, to ensure it achieves value for money.

43. The council makes each voluntary redundancy decision based on a business case that outlines costs, anticipated savings and payback periods. However, it does not effectively monitor whether its projected savings from voluntary redundancies are being fully achieved.

Decision-making is more open and scrutiny is becoming more effective, but there is still scope for improvement

Scrutiny of the council's performance and transformation programme is improving

44. In May 2014, the council established two scrutiny panels: Transformation, Economy and Employment, and Transformation and Community Well-being. These are designed to help elected members scrutinise the council's transformation programme and its impact on services, as well as the council's priorities and significant financial challenges.
45. In June 2015, we reported that the panels were not working effectively. In particular:
- panels were not being provided with the most up-to-date information available
 - it was unclear how the scrutiny panels' agendas were being set
 - the Audit and Risk Management Sub-Committee was not effectively directing the scrutiny panels' work
 - the panels had not fed back any areas for improvement to the Audit and Risk Sub-committee.
46. By observing the scrutiny panels in June 2016 and reviewing minutes we can see that there has been some improvement over the past year. The quality of scrutiny by elected members is improving, but there remains scope to improve how the panels work:
- The focus of scrutiny panel meetings continues to be more on members receiving a wide range of information through presentations than on them scrutinising specific issues of importance.
 - In some cases, it is clearer why issues are being examined by scrutiny panels, but this remains variable. This is likely to be helped by Audit and Risk becoming a full committee from September 2016. It now operates independently of the Policy and Resources Committee, setting its own agenda and directing the scrutiny panels' work.
 - Officers have recently started providing panel members with information to allow them to track changes resulting from their scrutiny. Officers recognise that they can improve on how well and how quickly they provide this information.

The council is conducting much more of its business in public. Shorter and easier-to-understand reports could help improve decision-making and scrutiny by elected members

47. Previously we reported that elected members were considering a large amount of information in private sessions at committee meetings. Conducting business in public is an important

aspect of councils being accountable to their communities and ensuring that local people can find out about local decisions. This in turn is increasingly important in encouraging and enabling local communities to participate more effectively in achieving local outcomes.

48. In June 2015, we reported that the council had begun to respond positively to these criticisms. We highlighted for example, that the Policy and Resources Committee had not considered any private papers between the beginning of 2015 and June 2015, when we published our report. The council has continued to minimise the amount of business it does in private, with only six per cent of papers being taken in private in 2015/16. Although the council is carrying out more of its business in public, officers are also providing more information to members through confidential briefings, or verbally, or both. In striving to be as open and transparent as possible in conducting its business, the council should ensure that it does not allow confidential briefings to become a substitute for private papers.
49. Previously, we expressed concern that council and committee reports were long, complex and written in bureaucratic language, making them difficult to understand for elected members and the wider public. Since our last Best Value audit the volume of information provided to elected members for council and committee meetings has reduced, and in the main is broadly in line with other councils. However, on occasion, elected members have been asked to consider papers of over 400 pages for a single meeting, with papers for the council meeting in November 2015 totalling 1,212 pages.
50. Although members generally receive a reduced volume of information, some of it is still difficult to understand. It is sometimes difficult to locate key points and recommendations that members are being asked to consider or approve, particularly when they are contained within the body of long and complex reports. These should be laid out more clearly at the beginning of reports.
51. The language in some reports is still inaccessible, with a reliance on jargon. The council still has some way to go in supporting effective decision-making and scrutiny by providing members with clear, concise reports written in plain language.

Financial management has improved, with better financial reconciliations and delivery of the council's capital plan, but we have concerns about financial capacity and resilience

The frequency and quality of financial reconciliations have improved, although some weaknesses remain in financial controls

52. In 2015, the Commission expressed concern about some of the council's procedures for managing its financial resources, in particular the lack of regular and systematic financial reconciliations. This was a recurring problem that the external auditor had raised repeatedly since 2013 and that the council had not adequately rectified. In response to the Commission's findings, the chief executive has taken a more active role in oversight, and temporarily redeployed finance staff to deal with the problem. As a result, the quality and frequency of financial reconciliations have now improved. However, in our 2015/16 Annual Audit Report we

raise concerns about the capacity and skills within the finance team and highlight the risk this poses to the council maintaining its improvement in financial controls.

53. The 2015/16 Annual Audit Report also highlights weaknesses in the council's internal controls for payments to private social care providers. Issues were initially raised by internal audit and include problems with misplaced payment records and delays to updating the Carefirst payment system. In 2015/16 the council paid approximately £19.5 million to private providers for homecare services. Given the level of expenditure, we would expect the council to have effective controls in place to ensure that payments align with the level of care agreed between the council and care providers. The identified weaknesses in the council's internal controls, together with our concerns about skills and experience within in the finance team, continue to indicate risks with the council's financial management processes, although the council is taking steps to resolve both these issues (the council's response to staffing levels in the finance team is discussed in paragraph 37). The problems with the Carefirst system were considered by the Transformation, Economy and Employment scrutiny panel in September 2016 and the council has agreed a set of improvement actions.

The council is managing its capital programme more effectively

54. Previously, we reported that the council had improved the way it manages its capital programme. This included:
- better use of options appraisals
 - a ten-year capital investment plan
 - an updated corporate asset management plan
 - a re-phased capital programme.
55. Despite these improvements, the council continued to experience slippage in delivering its capital programme over several years:
- In 2013/14, it delivered only around 54 per cent of its planned capital budget, with an underspend of £22.2 million.
 - In 2014/15, it delivered only around 60 per cent of its planned capital budget, with an underspend of £18.1 million.
56. The slippage in its capital programmes was not due to any single project, but reflected delays in a wide range of projects.
57. Since our last Best Value audit the council has demonstrated significant improvement in delivering capital projects, achieving 95 per cent of its 2015/16 capital programme. Key to this has been better strategic oversight of the programme. For example, throughout the year the Policy & Resources Committee's bi-monthly meetings receive regular capital programme monitoring reports. The council has also reorganised arrangements for overseeing the capital programme through the Corporate Asset Management Group. This brings together two previously separate operational and strategic groups. It allows potential issues with capital projects to be identified and dealt with more quickly, resulting in the programme being managed more flexibly to make best use of resources.

58. The council has also broadened its approach to procuring capital projects. As well as being an active participant in Hub West Scotland, part of the Scottish Futures Trust's Hub initiative, it also considers a range of other procurement routes to deliver major asset projects. This helps to ensure that it achieves the best possible value from its capital programme.

Conclusions

59. The council has taken steps to address the concerns raised in the last Best Value report in 2015, but there is still scope for improvement in some areas. The council has completed a number of its larger improvement projects, albeit after lengthy delays. However, the benefits and savings, both anticipated and achieved, associated with improvement activities remain unclear. Deadlines for current projects also continue to slip. The council needs to improve the pace of change, and to effectively monitor and review progress of its improvement activities, if it is to meet its anticipated savings target of £27.6 million over the next three years. It also needs to ensure it puts lessons learned into practice so it can be more efficient and effective in how it delivers organisational change. The council should:

- continue to increase the pace of change in delivering its transformation programme and focus on its priority projects
- better measure and monitor the benefits and savings it achieves from its transformation programme and ensure that lessons learned are translated into improving services
- develop an organisation-wide workforce plan that:
 - forecasts what the council's priorities are and the size of workforce and skills it needs to deliver these in the medium term
 - sets out the council's aims and objectives for its workforce, including restructuring and voluntary redundancy
- provide elected members with clearer and more concise reports, using plain language, to help achieve effective decision-making and scrutiny
- maintain improvements in financial management and ensure that the finance team has the skills and staff to do so.